

1 appeared to be Loan modification offers (called "Trial Payment Plans"), but in reality these offers were
2 nothing more than "cash grabs." Defendants never intended to permanently modify Plaintiffs' loans.
3 Specifically, Bank Defendants would offer Plaintiffs and homeowners who were already on the brink of
4 default/foreclosure a lower payment called a "trial payment" or "Workout Agreement". Bank
5 Defendants promised that if Plaintiffs were able to make the trial payment for 3 (or more) months,
6 Defendants would permanently modify Plaintiffs' payment to be the same amount under the trial
7 payments. But Defendants had a pattern of rejecting these loan modifications despite Plaintiffs'
8 compliance with every term of the loan modification offer. Instead Bank Defendants would use the offer
9 as bait to induce Plaintiffs to make payments which would never be applied to the principal and interest
10 of their loan, but instead would be applied to the mountain of unmerited late charges, and fees, taking
11 what little money the financially imperiled plaintiffs had left, and duping them into spending it on
12 unfairly placed fees and late charges. Bank Defendants never had any intent of modifying their loans,
13 despite Plaintiffs' full compliance with the terms of the offer. Such acts are patently unfair and
14 fraudulent, and Plaintiffs are entitled to remuneration of all payments made under such trial payment
15 plans, as well as an injunction prohibiting Defendants from this deceptive business practice. More
16 specifically, Bank Defendants unlawful and unfair practices in this regard include, but are not limited to,
17 the following:

- 18 a. failing to make good faith efforts to provide them with a loan modification and
19 breaching their contractual obligations, written and implied promises, loan servicing
20 functions owed to Plaintiffs, who fulfilled their obligations by making timely modified
21 payments;
- 22 b. making false and/or misleading representations that Plaintiffs were eligible and
23 entered into the trial modification period, which would lead to a permanent
24 modification of their mortgage payment;
- 25 c. failing to disclose to Plaintiffs that their modified payments may be reported to credit
26 bureaus as default or late payments that would destroy their credit scores;
- 27 d. delaying processing, demanding duplicate documentation, and failing to provide
28 adequate information or communication regarding the loan modification programs to

1 Plaintiffs;

2 e. engaging in conduct that undermines or violates the spirit or intent of the consumer
3 protection laws alleged in this Complaint; and
4 f. omitting to inform Plaintiffs that they could be rejected from the trial modification
5 period at any point, and that this would result in the immediate demand for a balloon
6 payment consisting of purported delinquency payments and substantial late fees,
7 default fees, foreclosure fees, inspection fees, property preservation fees, trustee fees,
8 trustee sale guarantee fees, mail fees, recording fees, and default servicing fees

9 311. Counts 14 through 22 arise under this (Fourth) Cause of Action for Deception in Loan
10 Modifications, and are brought by all Plaintiffs named in this Cause of Action, against all Defendants
11 named in this Cause of Action.

12
13 **COUNT 14 : VIOLATION OF CAL. CODE CIV. PROC. § 580B AND §726 PROHIBITING**
14 **COLLECTION OF DEBT AFTER ELECTING TO FORECLOSE**

15 312. The preceding paragraphs and the paragraphs following this cause of action are
16 incorporated by reference as though fully set forth herein.

17 313. As described above, California law forbids deficiency judgments in non-judicial
18 foreclosure of residential mortgages. *See* Cal. Code Civ. Proc. § 580b. Once a lender invokes its power
19 to sell the underlying security for a mortgage (through providing its “Notice of Default and Election to
20 Sell”), it cannot also seek to collect on the underlying note any amount owed in excess of the amount it
21 recovers through the trustee’s sale.

22 314. As alleged throughout this Cause of Action, Bank Defendants have entered into Workout
23 Agreements with Plaintiffs after initiating foreclosures on their properties, under which it has
24 intentionally extracted thousands of dollars of payments from each of the Plaintiffs named herein in
25 explicit and *knowing* violation of Cal. Code Civ. Proc §580(b) and §726 prohibiting the collection of
26 payments on the note after the election to foreclose.

27 315. Bank Defendants’ acts comprise a scheme to circumvent the statutory bar against seeking
28 a deficiency judgment. These acts were taken in furtherance of the conspiracy among all Defendants

1 alleged throughout this Complaint.

2 316. Such unlawfully extracted payments constitute damage to Plaintiffs herein. These
3 payments must be returned to Plaintiffs, plus pre-judgment interest. Further, Bank Defendants should be
4 enjoined from continuing to violate this rule in the future.

5 **COUNT 15 : FRAUDULENT CONCEALMENT**

6 317. The preceding paragraphs and the paragraphs following this cause of action are
7 incorporated by reference as though fully set forth herein

8 318. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements described
9 above in this Cause of Action

10 319. By intentionally failing to disclose the material information described above in this Cause
11 of Action, Aurora fraudulently induced Plaintiffs to enter into such Workout Agreements. To reiterate,
12 *in part* here, Bank Defendants intentionally concealed the materials facts:

- 13 a. that the true purpose of such Loan Workout Agreements were to extract additional
14 payments from Plaintiffs, and
- 15 b. that Plaintiffs would not be modified despite their exact compliance with the terms of the
16 agreement
- 17 c. that such payments would not be applied to their loan balance,

18 320. Bank Defendants were under a duty to disclose this information to Plaintiffs

19 321. By intentionally failing to disclose such information Bank Defendants intended to induce
20 Plaintiffs reliance to enter in the illusory Workout Agreements, and to induce their payments made
21 thereunder

22 322. Plaintiffs under this Cause of Action did rely on Bank Defendants' failure to disclose
23 such information in deciding to enter into the Workout Agreements and Extended Workout Agreements

24 323. If Plaintiffs had known the truth, they would not have entered into the Workout
25 Agreements and Extended Workout Agreements

26 324. As a result, Plaintiffs were damaged in amount to be determined at trial. At minimum
27 Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-
28 judgment interest. Plaintiffs have also been damaged in the form of reduced credit scores, and the

1 unavailability of financing.

2 325. Plaintiffs are further entitled to an award of punitive damages for Defendants intentional
3 fraudulent conduct.

4 **COUNT 16 : INTENTIONAL MISREPRESENTATION**

5 326. The preceding paragraphs and the paragraphs following this cause of action are
6 incorporated by reference as though fully set forth herein

7 327. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements discussed
8 in this Cause of Action.

9 328. By intentionally misrepresenting the material information described above in this Cause
10 of Action, Bank Defendants fraudulently induced Plaintiffs to enter into such Workout Agreements. To
11 reiterate, *in part* here, Bank Defendants intentionally misrepresented the materials facts:

- 12 a. it wanted to help Plaintiffs maintain ownership of their homes. In particular, Bank
13 Defendants sent the letters and made the statements described herein.
- 14 b. that by complying with the Workout Agreements, Plaintiffs loans would be permanently
15 modified
- 16 c. that their homes would not be foreclosed as long as Plaintiffs continued to make
17 payments under the Workout Agreements and Extended Workout Agreements. In
18 particular, Plaintiffs were repeatedly told to continue to make payments and that their
19 homes would not be foreclosed, as described herein.
- 20 d. whether they were approved for a loan modification and would have a genuine
21 opportunity to cure their loan defaults prior to the execution of a Trustee's sale on their
22 homes. Plaintiffs were never given such an opportunity
- 23 e. that upon the expiration of the Work out Agreements, Plaintiffs would have an
24 opportunity to cure their defaults through: (1) reinstatement; (2) payoff; (3) HAMP
25 sponsored Loan Modification; or (4) Investor Sponsored internal modification
- 26 f. that their foreclosures would continue to be on hold after the expiration of the Workout
27 Agreements if Plaintiffs continued to make payments to Aurora.

28 329. At the time Bank Defendants made these representations to the Plaintiffs, Bank

1 Defendants knew they were not true. Bank Defendants intended to and did foreclose during the time
2 period for which the Plaintiffs had already made payments under their Extended Workout Agreements.

3 330. Bank Defendants made these representations with the purpose of inducing Plaintiffs
4 reliance to enter into the Workout Agreements, and Extended workout Agreements, and to continue to
5 make payments of thousands of dollars per month.

6 331. Plaintiffs relied on these representations in entering the Workout Agreements, and
7 extended Workout agreements, and in continuing to make payments thereunder.

8 332. Plaintiffs would not have entered into the Workout Agreements and Extended Workout
9 Agreements had they known that these representations were not true. That is, had they known that they
10 would not have a genuine opportunity to save their homes and to cure, and that Bank Defendants could
11 and would foreclose on their properties without any notice that modifications were denied and after they
12 had paid thousands of dollars to Bank Defendants, Plaintiffs would not have entered into the Workout
13 Agreements to begin with and would not have made the payments during the terms of the Workout
14 Agreements and the Extended Workout Agreements.

15 333. As a result, Plaintiffs were damaged in amount to be determined at trial. At minimum
16 Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-
17 judgment interest. Plaintiffs have also been damaged in the form of reduced credit scores, and the
18 unavailability of financing.

19 334. Plaintiffs are further entitled to an award of punitive damages for Defendants intentional
20 fraudulent conduct.

21 **COUNT 17: NEGLIGENT MISREPRESENTATION**

22 335. The preceding paragraphs and the paragraphs following this cause of action are
23 incorporated by reference as though fully set forth herein

24 336. The allegations of this Count are identical to those above in the previous Count except
25 that the degree of intent herein is that of negligence. Put another way, at the time Bank Defendants made
26 the misrepresentations described in this Cause of Action (and listed in part above), Bank Defendants did
27 not have reasonable grounds to believe them to be true.

1 **COUNT 18: RESCISSION OF CONTRACT AND/OR RESTITUTION ON THE GROUNDS OF**
2 **FRAUD, AND/OR UNCONSCIONABILITY**

3 337. All preceding paragraphs and the paragraphs following this cause of action are
4 incorporated by reference as though fully set forth herein

5 338. As described throughout this Cause of Action, consent to the Workout Agreements and
6 Extended Workout Agreements was not real or free in that it was obtained solely through fraud and
7 misrepresentations as herein alleged.

8 339. As described throughout this Cause of Action, the Workout Agreements were both
9 procedurally and substantively unconscionable. Rescission is appropriate for this separate and
10 independent reason.

11 340. Plaintiffs thus seek to rescind the agreements under California Civil Code § 1689 (b)(1).
12 Plaintiffs have retained no consideration provided by Bank Defendants that can be tendered back to
13 Bank Defendants prior to rescission.

14 **COUNT 19: BREACH OF CONTRACT**

15 341. The preceding paragraphs and the paragraphs following this cause of action are
16 incorporated by reference as though fully set forth herein.

17 342. Plaintiffs and Bank Defendants were parties to the Loan Workout Agreements discussed
18 in this Cause of Action.

19 343. Plaintiffs furnished consideration under the Loan Workout Agreement in the form of
20 thousands of dollars of payments

21 344. Bank Defendants breached their obligations to Plaintiffs under Contract as set forth above
22 in this Cause of action, including but not limited to:

- 23 a. Breaching its obligations to modify plaintiffs upon their compliance with the terms of the
24 Workout agreement
- 25 b. Breaching its obligation to not foreclose while Plaintiffs made payments under the
26 Workout Agreement
- 27 c. Breaching its obligation to allow Plaintiffs an opportunity to cure under the Workout
28 Agreement

345. Separately Bank Defendants has breached the duty of good faith and fair dealing implicit in all contracts, as alleged above.

346. As a result, Plaintiffs have been damaged in an amount to be proven at trial. At minimum Plaintiffs must be returned all amounts paid by Plaintiffs under the Workout Agreements, as well as pre-judgment interest.

347. Alternatively Plaintiffs request enforcement of the Workout Agreement. Specifically Plaintiffs request enforcement of the promise of Loan Modification pursuant to the terms and payments made thereunder, and any other legal or equitable remedies which this Court may deem just and proper.

COUNT 20: VIOLATION OF THE CRIER RULE (CAL. CIV. CODE §2994G)

348. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

349. California law provides that a Trustee's sale can be postponed by mutual agreement. *See* Cal. Civ. Code § 2994g. However, the new date and time of the postponed sale must be provided by the trustee (and can be "cried") at the time of the prior scheduled sale. *See* Cal. Civ. Code § 2994g (d).

350. Bank Defendants have violated this law by failing to provide the time of the new postponed sale at the time of the prior scheduled sale.

351. In doing so, Defendants have failed to comply with the fundamental notice requirements of California's non-judicial foreclosure statutes, with which "strict compliance" is required. *Ung v. Koehler* (2005) 37 Cal.App.4th 186, 202. Without proper notice, there is no power of sale, and accordingly the foreclosure sales at issue are void. .

**COUNT 21: UNFAIR DEBT COLLECTION PRACTICES (VIOLATION OF CAL. CIV. CODE
§1788 ET SEQ)**

352. The preceding paragraphs and the paragraphs following this cause of action are incorporated by reference as though fully set forth herein.

353. Bank Defendants, in their capacity as servicers, are “debt collector” engaging in “debt collection” practices under the Rosenthal Fair Debt Collection Practices Act (the “Rosenthal Act”). See

1 Cal. Civ. Code § 1788.2 (c).

2 354. Bank Defendants violated the Rosenthal Act by using false, deceptive, and misleading
3 statements and deceptive omissions in connection with its collection of Plaintiffs' mortgage debt, as
4 alleged herein. See Cal. Civ. Code § 1788.17, incorporating 15 U.S.C. § 1692(e). For example (and
5 without limitation), Plaintiffs were consistently led to believe that modification review was pending
6 under the Workout Agreements and that the requests for additional documents and receipt thereof would
7 continue the review process and Workout Agreements. But Bank Defendants unilaterally ceased the
8 review process and foreclosed on dates previously represented as being postponed.

9 355. The Rosenthal Act was also violated because the Workout Agreements were themselves
10 deceptive in that they ambiguously appeared to offer an opportunity for borrowers to cure their arrearage
11 and save their homes from foreclosure *and* stated that the arrearage would not be cured at the end of the
12 Workout Agreement. The Rosenthal Act allows for a private right of action to the same extent permitted
13 under the federal Fair Debt Collection Practices Act ("FDCPA"). *See* Cal. Civ. Code § 1788.17;
14 *Gonzales v. Arrow Financial Services, LLC*, 233 F.R.D. 577, 581 (S.D. Cal. 2006).

15 356. Plaintiffs have suffered damages and harm as a result of Bank Defendants' unfair debt
16 collection practices, including irreparable harm to their credit and the amounts paid under the Workout
17 Agreements and Extended Workout Agreements.

18

19 **COUNT 22: UNLAWFUL, UNFAIR & FRAUDULENT BUSINESS PRACTICES**
20 **(VIOLATION OF CAL. BUS. & PROF. CODE §17200)**

21 357. The preceding paragraphs and the paragraphs following this cause of action are
22 incorporated by reference as though fully set forth herein.

23 358. Bank Defendants' acts described in this action are **Unlawful** in that they violate:

24 a. The prohibition against collection of deficiency judgments after electing to foreclose
25 (Cal. Code Civ. Proc. § 580b)

26 b. The Security First Rule (Cal. Code Civ. Proc. § 726)

27 c. The Crier rule (Cal. Civ. Code §2994(g))

28 d. The Rosenthal Fair Debt Collection Practices Act (Cal. Civ. Code §1788 et seq)

1 359. Separately, Bank Defendants' acts as described in this Cause of Action are **Fraudulent**
2 as set forth above.

3 360. Bank Defendants' acts are also patently **Unfair** as more fully set forth above. Without
4 limiting the allegations above which are fully incorporated herein, Defendants acts are unfair insofar as:

- 5 a. they unfairly bait Plaintiffs to make thousands of dollars of monthly payments under the
6 false promise of having their loan modified, when in reality Defendants have no intent of
7 modifying. These illusory work-out agreements were nothing more than unfair, and
8 fraudulent cash-grabs
- 9 b. they used the promise of Loan Modification as bait to damage plaintiffs' credit
10 preventing them from obtaining financing anywhere else.
- 11 a. they are designed a subterfuge to the crier rule, and are designed to allow Defendants to
12 foreclose on Plaintiffs without their knowledge and without giving them notice.

13 361. The Bank Defendants' acts and practices violate established public policy and the harm
14 they cause to consumers in California greatly outweighs any benefits associated with those practices.

15 362. Bank Defendants' conduct offends public policy and/or is immoral, unethical, oppressive,
16 unscrupulous, or substantially injurious to consumers. Bank Defendants' conduct in this regard includes,
17 but is not necessarily limited to, the following:

- 18 a. Bank Defendants have commonly failed to withdraw foreclosure proceedings against
19 borrowers who made all Plan Payments under Workout Agreement;
- 20 b. Bank Defendants have initiated foreclosure proceedings without providing borrowers
21 notice or opportunity to cure their remaining arrearage or default;
- 22 c. Bank Defendants have engaged in conduct that constitutes systematic breach of contract
23 and breach of the implied covenant of good faith and fair dealing.

24 363. Bank Defendants' conduct as set forth herein resulted in loss of money or property to
25 Plaintiffs, including (1) principal and interest that they were not obligated to pay after Bank Defendants
26 elected to exercise non-judicial foreclosure and to which Bank Defendants had no ability to collect after
27 foreclosure; and (2) legal and other fees that Plaintiffs paid to Bank Defendants under the Workout
28 Agreements and Extended Workout Agreements.

364. Defendant's acts caused substantial consumer injury with no benefits to consumer competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants' intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened harm to competition

365. Plaintiffs' payments made under the Workout Agreements constitute cognizable restitution which must be returned to Plaintiffs as well as pre-judgment interest thereon.

366. The unfair, unlawful and fraudulent acts and practices of Defendants named herein present a continuing threat to Plaintiff and to members of the public in that these acts and practices are ongoing and are harmful and disruptive to business and financial markets. Accordingly, Plaintiffs request injunctive relief to preclude the actions/wrongs described above by Bank Defendants.

FIFTH CAUSE OF ACTION :

**INTENTIONAL UNAUTHORIZED FORECLOSURES PURSUED IN THE
NAME OF PROFIT**

(By Plaintiffs Norberto Zenteno Flores, Margarita Flores, Sushila Patel, Maria del Carmen Torres, Ana Rosa, Gumersindo Castaneda, Adell Aldrich, Benjamin Avalos, Jr., Eugene Marzette, Ervetta Marzette, Elmer Clarke, Pearlie Clarke, Ferdinand Paragas-Whittier, Josephine Paragas-Whittier, Mihai Schera, Gilberto Pelayo, Helidoro Hernandez, Cristina Hernandez, Antonio Hernandez Jamie, Gloria Vargas Jamie, Ivan Iles, and Shewkali Rajkumar, John Ahlstead, Gina Ahlstead, Ivan Iles —

Against All Defendants)

367. Continuing their chronology of profit-driven deception and intentional wrongdoing, Defendants not only (1) intentionally placed Plaintiffs into known dangerous and impossible loans in the name of profit on the secondary market, and, (2) offered Plaintiffs trial loan modifications in an attempt to grab as much cash as they could before foreclosing – none of which would be applied to the principal or interest of Plaintiff’s loans - with no intent of ever actually modifying Plaintiffs’ loans, but in a final coup-de-grace (3) intentionally foreclosed on plaintiffs despite having no ownership interest in the notes or deeds of trust, in the name of collecting preposterous and unmerited “foreclosure fees” including:

1 inspection fees, default fees, late fees, advance fees, attorney fees, and trustee fees – hand in hand with
2 the Trustee Defendants, who while purporting to act merely in their capacity as trustee, act intentionally
3 and maliciously to foreclose knowing they have no authority to do so, and in knowing violation of
4 California foreclosure statutes. As discussed above, Trustee Defendants are the vital foreclosure arm of
5 Defendants' fraudulent scheme alleged throughout this Complaint.

6 368. Bank Defendants along with Trustee Defendants unilaterally charged these ill-defined
7 and ambiguous fees whose amounts were *never* disclosed, nor consented to Plaintiffs in any writing or
8 contract whatsoever. They decided how much they wanted to charge for whatever reason they wanted to
9 charge it. The amounts they charged were tantamount to price gauging, often charging double, triple or
10 even quadruple the fair market value for these “services.” The outrageous price markups all inured to
11 the benefit of the conspiracy of Defendants. As Defendants did not have an ownership interest in the
12 property upon which to foreclose, these charges and fees were entirely unjustified, and constitute
13 numerous cognizable sources of restitution.

14 369. In short, Bank Defendants together with Trustee Defendants made money by initiating
15 foreclosures, and for this very reason intentionally steamrolled wrongful foreclosures over plaintiffs
16 without having any true possessory or ownership interest in the deed of trust – the document which
17 confers the power of foreclosure - threatening to wrongfully dispossess Plaintiffs of their homes and
18 placing them on the streets.

19 370. In the greed-driven world of Defendants, neither law nor ethics would be allowed to
20 stand as an obstacle in their insatiable hunt for profit.

21 371. Counts 23 through 24 arise under this (Fifth) Cause of Action for “Intentional
22 Unauthorized Foreclosure in the Pursuit of Profit” and are brought by all Plaintiffs named in this Cause
23 of Action, against all Defendants named in this Cause of Action.

24

25 **COUNT 23: WRONGFUL FORECLOSURE**

26 372. Bank Defendants' continue to demand payment and to foreclose and threaten to foreclose
27 on Plaintiffs (through co-conspirator Trustee Defendants), despite the facts that:

28 a. The Foreclosing Defendants have no proof that they own the notes and deeds of trust they

1 seek to enforce;

2 b. The Foreclosing Defendants have never received a proper assignment of the Deed of
3 Trust ("DOT") - the document which confers the power of foreclosure. Accordingly,
4 they have no authority to foreclose.

5 c. There is considerable evidence that the Foreclosing Defendants do not own the notes and
6 deeds of trust they enforce and seek to enforce and based thereon, Plaintiffs allege that
7 they do not; and

8 373. As alleged with further detail in Appendix A, in many instances, the foreclosing Bank
9 Defendants never properly received an assignment of the DOT (and therefore had no authority to
10 foreclose) because the trusts they were being assigned into had been closed long prior, and therefore
11 could not legally accept assignment of the Loans and DOTs.

12 a. The reason loans are pooled and placed into these loan trusts named REMIC's is due to
13 income tax purposes. A REMIC is an "SPV" or Special Purpose Vehicle that is treated by
14 the IRS as a "QSPE" or Qualifying Special Purpose Entity. It specifically was designed
15 by Congress to allow the vehicle to not be taxed as the cash flows through the vehicle and
16 distributed to the investor and certificate holders. It is like an S Corp where there is no
17 double taxation.

18 b. Pooling and Servicing Agreements only allow loans to be placed into a REMIC for **two**
19 **years** after the set-up of the Trust due to tax implications. A loan substituted in or out of
20 such trust after the two year period, results in a massive tax penalty of 100% of the face
21 value of *all the assets in the trust*.

22 374. The trusts which foreclosed on many of the Plaintiffs never received assignment of the
23 DOT – the document which confers the power of foreclosure. Specifically, Bank Defendants foreclosed
24 on numerous Plaintiffs herein on behalf of trusts which had no ownership interest whatsoever in the
25 DOT, **because the trusts had been-long closed under the terms of their very own PSA**. In other
26 words Defendants had no authority whatsoever to foreclose on Plaintiffs herein. The foreclosing trust
27 had no ownership interest in the DOT which would give it the power to foreclose.

28 375. Established authority makes clear that a Plaintiff states a claim for wrongful foreclosure

1 when it is alleged that the assignment to the trust was executed after the closing date of the trust. *Vogan*
2 *v. Wells Fargo Bank, N.A.* (E.D. Cal., Nov. 17, 2011,) 2011 WL 5826016 at *7; *Johnson v. HSBC Bank*
3 *USA, Nat. Ass'n* (S.D. Cal., Mar. 19, 2012) 2012 WL 928433 at *3.

4 376. As to other Plaintiffs, Bank Defendants and Trustee Defendants foreclosed on them
5 despite having no ownership interest in the DOT, because the DOT was **never endorsed to them**. In
6 other words, they never had the authority to foreclose. A Plaintiff states a viable claim for wrongful
7 foreclosure when it is alleged that the Defendants are “not the proper parties to foreclose.” *Ohlendorf v.*
8 *Am. Home Mortg.*, (E.D.Cal. 2010) 2010 U.S. Dist. LEXIS 31098, at *21–24; *Tamburri v. Suntrust*
9 *Mortgage (N.D. Cal, 2011)* 2011 WL 6294472 *11’ [same] *Sacchi v. Mortgage Electronic Registration*
10 *Systems, Inc. (C.D.Cal. June 24, 2011)* 2011 WL 253302 at *8; *Castillo v. Skoba* (S.D.Cal. 2010) 2010
11 WL 3986953, at*2 [same].

12 377. As to other Plaintiffs herein, Bank Defendants and Trustee Defendants had no authority
13 to foreclose because *at the time* they initiated foreclosure (by filing a Notice of Default), they had not
14 yet received an assignment of the DOT. In other words, at the time they initiated foreclosure, they had
15 no authority to foreclose. “”[S]ince the plaintiffs had alleged facts **suggesting the foreclosing party had**
16 **no legal interest in the deed at the appropriate time**, there [is] a valid cause of action.” *Tamburri v.*
17 *Suntrust Mortgage (N.D. Cal, 2011)* 2011 WL 6294472 *11, citing *Sacchi v. Mortgage Electronic*
18 *Registration Systems, Inc. (C.D.Cal. June 24, 2011)* 2011 WL 253302 at *8 [[holding plaintiff had stated
19 a valid cause of action for wrongful foreclosure where the foreclosing entity had no authority to
20 foreclose because it had “**no beneficial interest in the Deed of Trust when it acted to foreclose on**
21 **Plaintiffs’ home.”Castillo v. Skoba (S.D.Cal. 2010) 2010 WL 3986953, at*2 [same]. Foreclosures
22 initiated by or on behalf of a party, who at the time had no authority to foreclose are **void ab initio**.
23 *Tamburri; Castillo*.**

24 378. As to other Plaintiffs still, Bank Defendants and Trustee Defendants had no authority to
25 foreclose because they had failed to comply with Cal. Civ. Code §2923.5 – a necessary prerequisite to
26 foreclosure – which requires a lender to contact its borrower to disclose alternatives to foreclosure.
27 Foreclosing Bank Defendants have failed to, and continue to fail to comply with this legal requirement.

28 379. Still, as to other Plaintiffs, Bank Defendants’ and Trustee Defendants’ foreclosures were

1 void because the trustee who conducted the foreclosure sale was an unauthorized trustee who had never
2 been properly substituted as trustee. Under California Law, a foreclosure sale conducted by an
3 unauthorized trustee is void as a matter of law. *Dimock v. Emerald Properties* (2000) 198 Cal.App.4th
4 868.

5 380. Finally, such foreclosures were additionally wrongful insofar as they were intentionally
6 occasioned by the Frauds of Defendants who (1) concealed the true terms, payments, and nature of the
7 loans in order to induce borrowers into entering them, knowing that such loans would be impossible for
8 them to afford, and would result in their default to a *mathematical certainty*, and (2) falsely tampered
9 with the appraised values of their homes – so that Bank Defendants, Trustee Defendants, and their
10 conspirators could collect lucrative fees, including **foreclosure fees**. Causing the foreclosure of their
11 borrowers was an intentional part of their fraudulent scheme. It meant more money.

12 381. Whether or not they can demonstrate ownership of the requisite notes and deeds of trust,
13 Defendants lack the legal right to enforce the foregoing because they have not complied with disclosure
14 requirements intended to assure mortgages are funded with monies obtained lawfully.

15 382. Plaintiffs allege that Bank Defendants have made demand for payment on the Plaintiffs
16 with respect to Plaintiffs' properties at a time when Defendants are incapable of establishing (and do not
17 have any credible knowledge regarding) who owns the promissory notes Defendants are purportedly
18 servicing. Plaintiffs believe and thereon allege that because Defendants are not the holders of
19 Plaintiffs' notes and deeds of trust and are not operating under a valid power from the various current
20 holders of the notes and deeds of trust, Defendants may not enforce the notes or deeds of trust.

21 383. Bank Defendants have already foreclosed upon the following property owned by the
22 following Plaintiffs – allegations establishing the specific factual basis of the wrongful nature of the
23 foreclosure as against each of the Plaintiffs below are set forth in **APPENDIX A**.

24 a) Norberto Zenteno-Flores and Margarita Flores (Appendix A, ¶ 1)
25 3321 Taurus Lane, Unit #3
26 Santa Ana, CA 92704

27 b) Sushila Patel (Appendix A, ¶ 5)
28 5841 Ranch View Road
Oceanside, CA 92057

- 1 c) Maria del Carmen Torres (Appendix A, ¶ 8)
2 8332 Brimfield Avenue
3 Panorama City, CA 91402
- 4 d) Ana Rosa and Gumersindo Castaneda (Appendix A, ¶ 9)
5 22616 S. Menlo Avenue
6 Torrance, CA 90502
- 7 e) Adell Aldrich (Appendix A, ¶ 10)
8 222238 Flanco Road
9 Woodland Hills, CA 91762
- 10 f) Benjamin Avalos, Jr. (Appendix A, ¶ 12)
11 108 Cormorant Drive
12 Ontario, CA 91762
- 13 g) Eugene and Ervetta Marzette (Appendix A, ¶ 15)
14 5707 Sycamore Avenue
15 Rialto, CA 92377
- 16 h) Elmer and Pearlie Clarke (Appendix A, ¶ 16)
17 3569 Mulford Avenue
18 Lynwood, CA 90262
- 19 i) Ferdinand and Josephine Paragas-Whittier (Appendix A, ¶ 17)
20 10621 Victoria Avenue
21 Whittier, CA 90604
- 22 j) Mihai Schera (Appendix A, ¶ 22)
23 35565 Grandview Drive
24 Yucaipa, CA 92399
- 25 k) Gilberto Pelayo (Appendix A, ¶ 30)
26 31501 Stoney Creek Drive
27 Lake Elsinore, CA 92532
- 28 l) Helidoro and Cristina Hernandez (Appendix A, ¶ 34)
29 8296 Velvet Lane
30 Fontana, CA 92335
- 31 m) Antonio Hernandez Jamie and Gloria Vargas Jamie (Appendix A, ¶ 35)
32 630 West 149 Street
33 Gardena, CA 90247
- 34 n) Ivan Iles (Appendix A, ¶ 42)

1 1758 Duncan Way
2 Corona, CA 92881

3 o) Shewkali Rajkumar (Appendix A, ¶ 43)
4 1420 Stoddard Street
5 Sacramento, CA 95828

6 p) John Ahlstead and Gina Ahlstead (Appendix A, ¶44)
7 9529 Brook Drive
8 Rancho Cucamonga CA 91730

9 q) Ivan Iles (Appendix A, ¶42)
10 17548 Duncan Way
11 Corona CA 92881

12 384. Because the foreclosing Bank Defendants are not the holders of the notes and deeds of
13 trust and are not operating under a valid power from the current holders of the notes and deeds of trust,
14 Defendants did not have the right to proceed with the foregoing foreclosures.

15 385. Bank Defendants, and Trustee Defendants, acted outrageously, persistently, intentionally
16 and with actual malice in performing the acts alleged in this cause of action. Accordingly, Plaintiff is
17 entitled to exemplary and punitive damages in a sum according to proof and to such other relief as is set
18 forth below in the section captioned Prayer for Relief which is by this reference incorporated herein.

19 386. As a result of the foregoing unlawful acts Plaintiffs have been damaged in being
20 wrongfully deprived of their homes, losing equity, being forced to incur relocation expenses, suffering
21 emotional distress, being forced to pay foreclosure fees, attorney's fees, trustee fees, suffering damage to
22 their credit scores, experiencing reduced availability of financing, among the other damages described
23 throughout this Complaint.

24 **COUNT 24: UNFAIR, UNLAWFUL, AND FRAUDULENT BUSINESS PRACTICES**
25 **(VIOLATION OF CAL. BUS. & PROF. CODE §17200)**

26 387. The preceding paragraphs and the paragraphs following this cause of action are
27 incorporated by reference as though fully set forth herein.

28 388. Bank Defendants' and Trustee Defendants' acts described in this action are **Unlawful** in
that they violate:

- 1 a. The requirement to make contact with a defaulting borrower prior to foreclosure in order
2 to explore alternatives to foreclosure (Cal. Civ. Code §2923.5)
- 3 b. The requirement that the party on behalf of whom foreclosure is being instituted must
4 first have an ownership interest in the Deed of Trust before acting to foreclose. (Cal. Civ.
5 Code §2924 et seq.)
- 6 c. The Requirement that a trustee must first be authorized as a trustee before it can conduct
7 a trustee/foreclosure sale (Cal. Civ. Code §2924 et seq.)
- 8 d. The Requirement that a party must first record an NOD before they have the power to
9 foreclose (Cal. Civ. Code §2924 et seq).
- 10 e. The Crier Rule (Cal. Civ. Code §2994(g))
- 11 f. The Rosenthal Fair Debt Collection Practices Act (Cal. Civ. Code §1788 et seq)

12 389. Separately, Bank Defendants' acts as described in this Cause of Action are **Fraudulent**
13 as set forth above.

14 390. Such foreclosures were **additionally** wrongful insofar as they were intentionally
15 occasioned by the Frauds of Defendants who concealed the true terms, payments, and nature of the loans
16 in order to induce borrowers into entering them, knowing that such loans would be impossible for them
17 to afford, and would result in their default to a *mathematical certainty* – so that Plaintiffs and their
18 conspirators and could collect lucrative fees, including **foreclosure fees**. Causing the foreclosure of their
19 borrowers was an intentional part of their fraudulent scheme. It meant more money.

20 391. Bank Defendants' and Trustee Defendants' acts in intentionally foreclosing upon their
21 borrowers in the name of profit, and/or without authority, as described above are also unfair.

22 392. Such acts and practices violate established public policy and the harm they cause to
23 consumers in California greatly outweighs any benefits associated with those practices.

24 393. These actions were immoral, unethical, oppressive, unscrupulous and substantially
25 injurious to similarly situated borrowers, and Plaintiffs herein. Bank Defendants' and Trustee
26 Defendants' conduct had no utility other than for their own ill-gotten gain, and the harm was great not
27 only to Plaintiffs herein, but also to residents of California, broadly, who have seen a decrease in their
28 home and property values as a result of the bursting of the super-heated pricing bubble created by

1 Defendants' intentional wrongful foreclosure which now devastate real estate values.

2 394. At the time of their fraud, Defendants *knew* that their conduct would cause the
3 precipitous decline in property values throughout the State of California.

4 395. Defendant's acts caused substantial consumer injury with no benefits to consumer
5 competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants'
6 intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened
7 harm to competition.

8 396. Defendant's acts caused substantial consumer injury with no benefits to consumer
9 competition. Plaintiffs could not have reasonably avoided these injuries occasioned by Defendants'
10 intentional deceit, misrepresentation, and omission. Further, Defendants acts significantly threatened
11 harm to competition.

12 397. Ally and Bank Defendants acted with malice and with the intent of artificially inflating
13 California Real estate properties generally, as well as the values of Plaintiffs' individual properties and
14 homes.

15 398. As a result of Defendants' unfair competition, Plaintiffs are entitled to restitution for all
16 sums received by Defendants with respect to Defendants' unlawful and/or unfair and/or fraudulent
17 conduct, including, without limitation, interest payments made by Plaintiffs, fees paid to Defendants,
18 including, without limitation, trustee fees, and the excessive fees paid at Defendants' direction, and
19 premiums received upon selling the mortgages at an inflated value.

20 399. As a result of the foregoing unfair, unlawful, and fraudulent acts Plaintiffs have been
21 damaged in being wrongfully deprived of their homes, losing equity, being forced to incur relocation
22 expenses, suffering emotional distress, being forced to pay foreclosure fees, attorney's fees, trustee fees,
23 suffering damage to their credit scores, experiencing reduced availability of financing, among the other
24 damages described throughout this Complaint.

25
26 **PRAYER FOR RELIEF**

27 WHEREFORE, Plaintiffs pray for judgment against Defendants and each of them as follows:

28 1. General, Actual, Compensatory, Special and Exemplary damages according to proof

1 under the First, Second, Third, Fourth, Sixth, Seventh, Eighth, Tenth, Eleventh, Twelfth, Fourteenth,
2 Fifteenth, Sixteenth, Seventeenth, Eighteenth, Nineteenth, Twenty-First, and Twenty-Third Counts, and
3 any other Counts for which such relief may be available;

4 2. Punitive Damages under the First, Second, Sixth, Tenth, Fifteenth, and Sixteenth Counts
5 and any other Counts for which such relief may be available;

6 3. Statutory relief according to proof under the Twelfth, Fourteenth, Twentieth, and
7 Twenty-First Counts and any other Counts for which such relief may be available;

8 4. Restitution and Injunctive Relief under the Ninth, Thirteenth, Eighteenth, Twenty-Second
9 and Twenty Fourth Counts and any other Counts for which such relief may be available;

10 5. Rescission under the Eighteenth Count;

11 6. On all Counts, for costs of suit herein;

12 7. On all Counts, for pre- and post-judgment interest;

13 8. On all Counts for which attorney's fees may be awarded pursuant to the governing
14 contract, by statute or otherwise, reasonable attorneys' fees; and

15 9. On all Counts, for such other and further relief as this Court may deem just and proper.

16
17 Dated: August 9, 2013

Respectfully submitted,

18
19 BROOKSTONE LAW, PC

20
21 By:


22 Vito Torchia, Jr.
23 Attorneys for Plaintiffs

| | |
|---------------------------------|----------------------------|
| PLAINTIFF: EO MACARTHUR, LLC | CASE NUMBER: |
| DEFENDANT: BROOKSTONE LAW, P.C. | 30-2013-00660219-CL-UD-HNB |

7. Plaintiff and defendant further stipulate as follows (specify):

Plaintiff agrees to hold this Stipulation and not file it with the Court, so long as Defendant surrenders possession of the premises referred to in paragraph 2, on or before the close of business, September 8, 2013. If Defendant surrenders possession of the premises referred to in paragraph 2 on or before September 8, 2013, Plaintiff agrees to dismiss this matter without prejudice.

8. a. The parties named in item 1 understand that they have the right to (1) have an attorney present and (2) receive notice of and have a court hearing about any default in the terms of this stipulation.

b. Date:

Daniel P. Stimpert, Esq., Attorney for Plaintiff

(TYPE OR PRINT NAME)

► (SIGNATURE OF PLAINTIFF OR ATTORNEY)

(TYPE OR PRINT NAME)

► (SIGNATURE OF PLAINTIFF OR ATTORNEY)

Continued on *Attachment 8b* (form MC-025).

c. Date: 8/6/2013

Vito Torchia, Jr., Attorney for Defendant

(TYPE OR PRINT NAME)

► (SIGNATURE OF DEFENDANT OR ATTORNEY)

(TYPE OR PRINT NAME)

► (SIGNATURE OF DEFENDANT OR ATTORNEY)

(TYPE OR PRINT NAME)

► (SIGNATURE OF DEFENDANT OR ATTORNEY)

Continued on *Attachment 8c* (form MC-025).

9. IT IS SO ORDERED.

Date:

_____ JUDICIAL OFFICER

| | | |
|---|--|--|
| ATTORNEY OR PARTY WITHOUT ATTORNEY (Name and state bar number, and address): Daniel P. Stimpert, Esq. SBN: 147420 | | FOR COURT USE ONLY |
| STIMPERT & FORD, LLP 6300 Wilshire Blvd., Suite 1890, Los Angeles, CA 90048-5220 | | |
| TELEPHONE NO.: (323) 782-6782 FAX NO. (Optional): (323) 782-6788 | | |
| E-MAIL ADDRESS (Optional): info@stimpertford.com | | |
| ATTORNEY FOR (Name): EO MacArthur, LLC | | |
| SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE STREET ADDRESS: 4601 Jamboree Road MAILING ADDRESS: 4601 Jamboree Road CITY AND ZIP CODE: Newport Beach, 92660-2595 BRANCH NAME: Harbor Justice Center - Newport Beach Facility | | |
| PLAINTIFF: EO MACARTHUR, LLC | | |
| DEFENDANT: BROOKSTONE LAW, P.C. | | |
| STIPULATION FOR ENTRY OF JUDGMENT (Unlawful Detainer) | | CASE NUMBER: 30-2013-00660219-CL-UD-HNB |

1. IT IS STIPULATED by plaintiff (name each): EO MACARTHUR, LLC and defendant (name each): BROOKSTONE LAW, P.C.
2. Plaintiff Defendant (specify name): is awarded
 - a. possession of the premises located at (street address, apartment number, city, and county):
4000 MacArthur Blvd, Suite 1110, Newport Beach, CA 92660 Orange County
 - b. cancellation of the rental agreement. forfeiture of the lease.
 - c. past due rent \$
 - d. total holdover damages \$
 - e. attorney fees \$
 - f. costs \$
 - g. deposit of \$ See item 3.
 - h. other (specify): \$10,000.00 as and for general damages.
 - i. Total \$ to be paid by (date): installment payments (see item 5)
3. Deposit. If not awarded under item 2g, then plaintiff must
 - a. return deposit of \$ to defendant by (date):
 - b. give an itemized deposit statement to defendant within three weeks after defendant vacates the premises (Civ. Code, § 1950.5).
 - c. mail the deposit itemized statement to the defendant at (mailing address):
4. A writ of possession will issue immediately, but there will be no lockout before (date): September 9, 2013
5. AGREEMENT FOR INSTALLMENT PAYMENTS
 - a. Defendant agrees to pay \$ on the (specify day) day of each month beginning on (specify date) until paid in full.
 - b. If any payment is more than (specify) days late, the entire amount in item 2i will become immediately due and payable plus interest at the legal rate.
6. a. Judgment will be entered now.
 - b. Judgment will be entered only upon default of payment of the amount in item 2i or the payment arrangement in item 5a. The case is calendared for dismissal on (date and time) in department (specify) unless plaintiff or defendant otherwise notifies the court.
 - c. Judgment will be entered as stated in *Judgment — Unlawful Detainer Attachment* (form UD-110S), which is attached.
 - d. Judgment will be entered as stated in item 7.

| | |
|---------------------------------|--|
| PLAINTIFF: EO MACARTHUR, LLC | CASE NUMBER: 30-2013-00660219-CL-UD-HNB |
| DEFENDANT: BROOKSTONE LAW, P.C. | |

7. Plaintiff and defendant further stipulate as follows (*specify*): Plaintiff agrees to hold this Stipulation and not file it with the Court, so long as Defendant surrenders possession of the premises referred to in paragraph 2, on or before the close of business, September 8, 2013. If Defendant surrenders possession of the premises referred to in paragraph 2 on or before September 8, 2013, Plaintiff agrees to dismiss this matter without prejudice.

8. a. The parties named in item 1 understand that they have the right to (1) have an attorney present and (2) receive notice of and have a court hearing about any default in the terms of this stipulation.

b. Date:

Daniel P. Stimpert, Esq.

(TYPE OR PRINT NAME)

► (SIGNATURE OF PLAINTIFF OR ATTORNEY)

(TYPE OR PRINT NAME)

► (SIGNATURE OF PLAINTIFF OR ATTORNEY)

Continued on *Attachment 8b* (form MC-025).

c. Date:

Attorney for BROOKSTONE LAW, PC

Vito Torchia, Jr.

(TYPE OR PRINT NAME)

► (SIGNATURE OF DEFENDANT OR ATTORNEY)

(TYPE OR PRINT NAME)

► (SIGNATURE OF DEFENDANT OR ATTORNEY)

(TYPE OR PRINT NAME)

► (SIGNATURE OF DEFENDANT OR ATTORNEY)

Continued on *Attachment 8c* (form MC-025).

9. IT IS SO ORDERED.

Date:

_____ JUDICIAL OFFICER

| | | |
|--|--|---|
| ATTORNEY OR PARTY WITHOUT ATTORNEY (Name and state bar number, and address): Daniel P. Stimpert, Esq. STIMPERT & FORD, LLP 6300 Wilshire Blvd., Suite 1890, Los Angeles, CA 90048-5220 TELEPHONE NO.: (323) 782-6782 FAX NO. (Optional): (323) 782-6788 E-MAIL ADDRESS (Optional): info@stimpertford.com ATTORNEY FOR (Name): EO MacArthur, LLC | | FOR COURT USE ONLY |
| SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE STREET ADDRESS: 4601 Jamboree Road MAILING ADDRESS: 4601 Jamboree Road CITY AND ZIP CODE: Newport Beach, 92660-2595 BRANCH NAME: Harbor Justice Center- Newport Beach Facility | | |
| PLAINTIFF: EO MACARTHUR, LLC DEFENDANT: BROOKSTONE LAW, P.C. | | |
| STIPULATION FOR ENTRY OF JUDGMENT (Unlawful Detainer) | | CASE NUMBER: 30-2013-00660219-CL-UD-HNB |

1. IT IS STIPULATED by plaintiff (name each): **EO MACARTHUR, LLC** and defendant (name each): **BROOKSTONE LAW, P.C.**
2. Plaintiff Defendant (specify name): is awarded
 a. possession of the premises located at (street address, apartment number, city, and county):
4000 MacArthur Blvd., Suite 1110, Newport Beach, CA 92660 Orange County
 - b. cancellation of the rental agreement. forfeiture of the lease.
 - c. past due rent \$
 - d. total holdover damages \$
 - e. attorney fees \$
 - f. costs \$
 - g. deposit of \$ See item 3.
 - h. other (specify): **\$10,000.00 as and for general damages.**
 i. Total \$ to be paid by (date): installment payments (see item 5)
3. Deposit. If not awarded under item 2g, then plaintiff must
 - a. return deposit of \$ to defendant by (date):
 - b. give an itemized deposit statement to defendant within three weeks after defendant vacates the premises (Civ. Code, § 1950.5).
 - c. mail the deposit itemized statement to the defendant at (mailing address):
4. A writ of possession will issue immediately, but there will be no lockout before (date): **September 9, 2013**
5. AGREEMENT FOR INSTALLMENT PAYMENTS
 - a. Defendant agrees to pay \$ on the (specify day) day of each month beginning
 on (specify date) until paid in full.
 - b. If any payment is more than (specify) days late, the entire amount in item 2i will become immediately due and payable plus interest at the legal rate.
6. a. Judgment will be entered now.

 b. Judgment will be entered only upon default of payment of the amount in item 2i or the payment arrangement in item 5a. The case is calendared for dismissal on (date and time) in department (specify) unless plaintiff or defendant otherwise notifies the court.

 c. Judgment will be entered as stated in *Judgment—Unlawful Detainer Attachment* (form UD-110S), which is attached.

 d. Judgment will be entered as stated in item 7.

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1 1. Plaintiff Carolyn Hairston (“Hairston”) discussed refinancing an existing
2 mortgage on her property located at 1544-46 Hauser Boulevard, Los Angeles, CA 90019 and
3 A.P.N. 5069-031-030 with a loan consultant (the “Loan Consultant”), a representative and
4 authorized agent of Paul Financial, LLC, a correspondent of GMAC Mortgage Group, Inc. and
5 authorized by GMAC Mortgage Group, Inc. and Defendants herein (the “Defendants”) to lend
6 on its behalf, in or around January, 2007. In the course of their discussions ranging from January
7 2007 until March 2007, Defendants and Loan Consultant steered her into a negatively amortized
8 PayOption ARM in the amount of \$550,000.00 with an interest rate at 7.875% for a term of 30
9 years. Little did Hairston know, however, the disclosed interest rate was never “fixed” but
10 applied to only her first monthly payment and could adjust every six months thereafter. The
11 maximum interest rate is 12.875%. The amount of Hairston’s minimum monthly payment was
12 “fixed” for 12 months and could adjust every 12 months thereafter. When the amount of the
13 minimum monthly payment is insufficient to cover the amount of interest due, then the amount
14 of that deficiency is added onto the unpaid principal balance of her loan. The recast point of this
15 loan is 115% of the original loan amount. This loan was originated by GMAC and Defendants,
16 on the note and deed of trust Paul Financial, LLC is identified as the lender, and GMAC is
17 currently servicing the loan.

18 Defendants and Loan Consultant represented to Hairston that her monthly payment
19 would always be \$114.58. Although the amount of Hairston’s initial, disclosed minimum
20 monthly payment was \$114.58, Defendants and Loan Consultant failed to clarify their partially
21 true representations and advise Hairston: (1) how the interest rate on her loan was calculated; (2)
22 that the initial, disclosed minimum monthly payment of \$114.58 would not always be available;
23 (3) that the initial, disclosed minimum monthly payment would not be the permanent payment
24 under the loan despite Defendants’ and Loan Consultant’s affirmative representations to the
25 contrary; (4) that by paying the initial, disclosed minimum monthly payment she would be
26 definitively deferring interest on her loan, increasing the principal balance of her loan every time
27 she made the minimum monthly payment; (5) that by paying the minimum monthly payment the
28 principal balance of her loan was certain to increase; or (6) her loan would be recast within a few

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1 years and she would be forced to pay considerably higher payments.

2 The disclosures in Hairston's loan documents discussing negative amortization only
3 frame negative amortization as a mere **possibility** rather than a **certainty** when making the
4 minimum payment. However, the reality was that by making the minimum payment, negative
5 amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending
6 Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment
7 schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will*
8 result in negative amortization. Hairston was not provided, before entering into the loans, with
9 any other payment schedule or with any informed option to make payments different than those
10 listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment
11 pursuant to the TILDS Hairston would be deferring interest, or had Defendants disclosed the
12 payment amounts sufficient to avoid negative amortization from occurring, Hairston would not
13 have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature**
14 **of Hairston's loan because giving a clear explanation of how the loan worked would have**
15 **punctured the illusion of a low-payment, low interest rate loan.**

16 Further, Defendants and Loan Consultant advised her that she was eligible for a Low Doc
17 Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low
18 documentation requirement to fraudulently inflate her income by \$7,000, a factor of 250%; and
19 in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose
20 payments she could not afford given her true, un-inflated monthly income. Defendants and Loan
21 Consultant altered Hairston's loan application without her knowing consent and authorization as
22 Loan Consultant completed Hairston's application without giving Hairston an opportunity to
23 review the loan application.

24 Defendants and Loan Consultant also explicitly represented to Hairston that she could
25 afford her loan and further represented that she could shoulder the additional financial burden of
26 repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully
27 amortized monthly payment on the loan was \$6,804.14. Given Hairston's true monthly income
28 of \$4,500.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1 before any other debts are even considered, of over 151%- grossly in excess of industry standard
2 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
3 and Loan Consultant further represented to Hairston that she could rely on the assessment that
4 she was "qualified" to mean that she could afford the loan. Because of Hairston's lack of
5 familiarity with how much debt a person can and should reasonably take on compared to her
6 monthly income, and because Hairston reasonably relied on Defendants' and Loan Consultant's
7 expertise that any payment she was "qualified" for would take into account what the maximum
8 debt a person such as Hairston should be shouldering was, Hairston reasonably believed
9 Defendants' and Loan Consultant's representations that she could afford her loan and its
10 payments. Although Defendants and the Loan Consultant represented to Hairston that she was
11 "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the
12 Loan Consultant misled Hairston into believing that her monthly payments would always only be
13 \$114.58. Furthermore, at no point did Defendants or Loan Consultant clarify Hairston's false
14 belief and advise her that \$114.58 would not be her permanent payment under the loan, or that
15 every time she made a monthly payment in the amount of \$114.58, which is less than interest
16 only, she would be deferring interest on her loan, increasing the principal balance of her loan.

17 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
18 on behalf of Defendants were accurate and made in good faith. On or around February 2007, an
19 appraisal company under the direct control and supervision of Defendants conducted an appraisal
20 on Hairston's home, which was fraudulently inflated to a grossly and intentionally overstated
21 value. Defendants and Loan Consultant represented that, per appraisal, Hairston's home was
22 worth \$1,200,000.00 at the time she entered into her loan, and that such a valuation was a true
23 and correct measure of her home's worth. The current fair market value of Hairston's home is
24 approximately \$511,922.00. Hairston alleges that the appraisal was artificially inflated, and that
25 she has suffered damages in the amount of \$688,078.00 (\$1,200,000.00-\$511,922.00) due to a
26 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other
27 acts described herein.

28 Defendants and Loan Consultant also represented to Hairston that she would be able to

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1 refinance her loan at a later time. Hairston relied on this assurance in deciding to enter into the
2 mortgage contract. However, Hairston has not been able to refinance her loan. Defendants and
3 Loan Consultant also represented that it would modify Hairston's loan, and Hairston relied on
4 this representation in deciding to enter into the loan. However, Hairston was unable to modify
5 her loan.

6 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
7 reputable and complied with industry standard underwriting guidelines and were engaged in
8 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
9 made in good faith; (3) Hairston could afford the loan ; (4) She was "qualified" for her loan; (5)
10 "qualified" meant that she could afford her loan; (6) she would be able to modify her loan and
11 (7) She would be able to refinance her loan.

12 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
13 otherwise improperly disclosed to Hairston that: (1) Defendants and Loan Consultant knew that
14 she could not and would not be able to afford her loan and that there was a very high probability
15 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
16 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
17 "qualification" process was for Defendants' own protection and not hers; (4) that Defendants'
18 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
19 to communicate that she could actually "afford" the loan which she was being given; (5)
20 Defendants had abandoned its conventional lending business, prudent lending standards, and
21 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
22 Hairston's home to require her to borrow more money with the knowledge that the true value of
23 Hairston's home was insufficient to justify the amount of Hairston's loan; or (7) Defendants
24 knew that due to its scheme of fraudulently manipulating and inflating property values
25 throughout the State of California that the real estate market would crash and Hairston would
26 lose substantial equity in her home.

27 Based on these misrepresentations and omissions, the material facts concerning
28 Hairston's loan were concealed from her, and she decided to move forward with her loan. On

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1 March 30, 2007, Hairston signed the loan and Deed of Trust, before a notary. Had she known the
2 truth however, Hairston would not have accepted the loan. As a result of Defendants' fraudulent
3 acts described throughout this complaint, Hairston has lost substantial equity in her home, has
4 damaged or destroyed credit, and at the time Hairston entered into the loan her home was worth
5 \$1,200,000.00, now her home is worth approximately \$511,922.00. Hairston did not discover
6 any of these misrepresentations or omissions until after a consultation with legal counsel at
7 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
8 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
9 throughout this complaint, were brought to light on or around July 19, 2011. (True and correct
10 copy of the aforementioned documents are attached hereto as *Exhibit 1*).

11 2. Plaintiff Carolyn Hairston ("Hairston") discussed refinancing an existing
12 mortgage on her property located at 1534-36 Hauser Blvd, Los Angeles, CA 90019 and A.P.N.
13 5069-031-032 with a Loan Consultant ("Loan Consultant") with Paul Financial, LLC, a
14 correspondence of GMAC Financial and Defendants herein ("the Defendants"), and authorized
15 by Defendants to lend on its behalf, in or around January 2007. In the course of their discussions
16 ranging from January 2007 until March 2007, Defendants and Loan Consultant steered her into a
17 negatively amortized PayOption ARM in the amount of \$500,000.00 with an interest rate at
18 0.250% for a term of 30 years. Little did Hairston know that the interest rate of 0.250% is the
19 amount used to calculate the amount of her minimum monthly payment. Hairston also did not
20 know that she was accruing interest on her loan at the interest rate of 8.375%. Hairston's true
21 interest rate of 8.375% is "fixed" for ten years and can adjust every six months thereafter. The
22 maximum interest rate is 13.375%. The amount of Hairston's minimum monthly payment is also
23 "fixed" for ten years. When the amount of the minimum monthly payment is insufficient to cover
24 the amount of interest due, then the amount of that deficiency is added onto the unpaid principal
25 balance of her loan. Her loan has a recast point of 155% of the original amount. Once her loan
26 hits the recast point, Hairston will be obligated to make interest only payment for the remainder
27 of the ten year "fixed" period. This loan was originated by GMAC and Defendants, on the note
28 and deed of trust Paul Financial, LLC is identified as the lender, and GMAC is currently

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1 servicing the loan.

2 Defendants and Loan Consultant recommended the loan, representing that this was a
3 worthy loan. Defendants and Loan Consultant represented to Hairston that her monthly payment
4 would always be \$104.00 Although the amount of Hairston's initial, minimum monthly payment
5 was \$104.00, Defendants and Loan Consultant failed to clarify their partially true representations
6 and advise Hairston: (1) how the interest rate on her loan was calculated; (2) that the initial
7 minimum monthly payment of \$104.00 would not always be available; (3) that the initial
8 minimum monthly payment would not be the permanent payment under the loan despite
9 Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by
10 paying the initial minimum monthly payment she would be definitively deferring interest on her
11 loan, increasing the principal balance of her loan every time she made the minimum monthly
12 payment; (5) that by paying the minimum monthly payment the principal balance of her loan was
13 certain to increase; or (6) her loan would be recast within a few years and she would be forced to
14 pay considerably higher payments.

15 The disclosures in Hairston's loan documents discussing negative amortization only
16 frame negative amortization as a mere **possibility** rather than a **certainty** when making the
17 minimum payment. However, the reality was that by making the minimum payment, negative
18 amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending
19 Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment
20 schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will*
21 result in negative amortization. Hairston was not provided, before entering into the loans, with
22 any other payment schedule or with any informed option to make payments different than those
23 listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment
24 pursuant to the TILDS Hairston would be deferring interest, or had Defendants disclosed the
25 payment amounts sufficient to avoid negative amortization from occurring, Hairston would not
26 have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature**
27 **of Hairston's loan because giving a clear explanation of how the loan worked would have**
28 **punctured the illusion of a low-payment, low interest rate loan.**

APPENDIX A TO AMENDED COMPLAINT IN SUPPORT OF AMENDED PROOF OF CLAIM

1 Defendants and Loan Consultant altered Hairston's loan application without her knowing
2 consent or authorization as Loan Consultant completed Hairston's application without giving
3 Hairston an opportunity to review the loan application. Further, Defendants and Loan Consultant
4 advised her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time,
5 Defendants and Loan Consultant used this low documentation requirement to fraudulently inflate
6 her income and in doing so, Defendants and Loan Consultant caused her to be placed into a loan
7 whose payments she could not afford given her true, un-inflated monthly income.

8 Defendants and Loan Consultant also explicitly represented to Hairston that she could
9 afford her loan and further represented that she could shoulder the additional financial burden of
10 repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully
11 amortized monthly payment on the loan was \$6,517.23. Given Hairston's true monthly income
12 of \$4,500.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,
13 before any other debts are even considered, of over 144%- in excess of industry standard
14 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
15 and Loan Consultant further represented to Hairston that she could rely on the assessment that
16 she was "qualified" to mean that she could afford the loan. Because of Hairston's lack of
17 familiarity with how much debt a person can and should reasonably take on compared to her
18 monthly income, and because Hairston reasonably relied on Defendants' and Loan Consultant's
19 expertise that any payment she was "qualified" for would take into account what the maximum
20 debt a person such as Hairston should be shouldering was, Hairston reasonably believed
21 Defendants' and Loan Consultant's representations that she could afford her loan and its
22 payments. Although Defendants and the Loan Consultant represented to Hairston that she was
23 "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the
24 Loan Consultant misled Hairston into believing that her monthly payments would always only be
25 \$104.00. Furthermore, at no point did Defendants or Loan Consultant clarify Hairston's false
26 belief and advise her that \$104.00 would not be her permanent payment under the loan, or that
27 every time she made a monthly payment in the amount of \$104.00, which is less than interest
28 only, she would be deferring interest on her loan, increasing the principal balance of her loan.

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1 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
2 on behalf of Defendants were accurate and made in good faith. On or around March 2005, an
3 appraisal company under the direct control and supervision of Defendants conducted an appraisal
4 on Hairston's home, which was fraudulently inflated to a grossly and intentionally overstated
5 value. Defendants and Loan Consultant represented that, per appraisal, Hairston's home was
6 worth \$1,000,000.00 at the time she entered into her loan, and that such a valuation was a true
7 and correct measure of her home's worth. The current fair market value of Hairston's home is
8 approximately \$281,312.00. Hairston alleges that the appraisal was artificially inflated, and that
9 she has suffered damages in the amount of \$718,688.00 (\$1,000,000.00-\$281,312.00) due to a
10 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other
11 acts described herein.

12 Due to the economic crash, caused by the Defendants fraudulent acts described through
13 this complain, Hairston suffered from extreme financial hardship, and sought the assistance of
14 the Defendants in repaying her loan. Hairston applied for loan modification with the Defendants.
15 The Defendants delayed processing, repeatedly demanding that Hairston furnish duplicate
16 documentation and information over the course of four months. Hairston was ultimately denied
17 a loan modification because she did not have sufficient income. At the time Hairston applied for
18 a loan modification her "fixed" income was the same as it was when she entered into the loan.

19 Hairston inquired about getting a loan modification HAMP. A representative an
20 authorized agent of Defendants informed Hairston that she did not qualify for HAMP but refused
21 to provide a reason why. Moreover, the Defendants failed to provide adequate information or
22 communication regarding the loan modification programs to Hairston.

23 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
24 reputable and complied with industry standard underwriting guidelines and were engaged in
25 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
26 made in good faith; (3) Hairston could afford the loan ; (4) she was "qualified" for her loan; (5)
27 "qualified" meant that she could afford her loan; (6) she would be able to modify her loan in the
28 future; and (7) Defendants would refinance her loan in the future.

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1 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
2 otherwise improperly disclosed to Hairston that: (1) Defendants and Loan Consultant knew that
3 she could not and would not be able to afford her loan and that there was a very high probability
4 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
5 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
6 "qualification" process was for Defendants' own protection and not her; (4) that Defendants' and
7 Loan Consultant's representations that she was "qualified" to pay her loan was not intended to
8 communicate that she could actually "afford" the loan which she was being given; (5)
9 Defendants had abandoned its conventional lending business, prudent lending standards, and
10 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
11 Hairston's home to require her to borrow more money with the knowledge that the true value of
12 Hairston's home was insufficient to justify the amount of Hairston's loan; or (7) Defendants
13 knew that due to its scheme of fraudulently manipulating and inflating property values
14 throughout the State of California that the real estate market would crash and Hairston would
15 lose substantial equity in her home.

16 Based on these misrepresentations and omissions, the material facts concerning
17 Hairston's loan were concealed from her, and she decided to move forward with her loan. On
18 March 22, 2007, Hairston signed the loan and Deed of Trust, before a notary. Had she known the
19 truth however, Hairston would not have accepted the loan. As a result of Defendants' fraudulent
20 acts described throughout this complaint Hairston has lost substantial equity in her home, has
21 damaged or destroyed credit, and at the time Hairston entered into the loan her home was worth
22 \$1,000,000.00, now her home is worth approximately \$281,312.00. Hairston did not discover
23 any of these misrepresentations or omissions until after a consultation with legal counsel at
24 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
25 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
26 throughout this complaint, were brought to light on or around July 5, 2011. (True and correct
27 copy of the aforementioned documents are attached hereto as *Exhibit 2*).

28 3. Plaintiffs William Mimiaga ("Mimiaga") and Christine Petersen ("Petersen")

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1 discussed refinancing an existing mortgage on their property located at 936 Coronado Drive,
2 Costa Mesa, CA 92626 and APN 141-323-21 with a Loan Consultant (“Loan Consultant”) with
3 Homecomings Financial, LLC, a correspondent of GMAC and the Defendants (the
4 “Defendants”), and authorized by Defendants to lend on its behalf, in or around November 2006.
5 In the course of their discussions ranging from November 2006 until January 2007, Defendants
6 and Loan Consultant steered them into a fixed rate Interest-Only mortgage in the amount of
7 \$534,000.00 with an interest rate at 6.500% for a term of 30 years. Little did Mimiaga and
8 Petersen know, however, payments made during the first ten years of their loan were Interest-
9 Only. This loan was originated by GMAC and Defendants, on the note and deed of trust
10 Homecomings Financial, LLC is identified as the lender, and GMAC is currently servicing the
11 loan.

12 Defendants and Loan Consultant represented to Mimiaga and Petersen that their monthly
13 payment would always be \$2,892.50 Although the amount of Mimiaga and Petersen’s initial
14 monthly payment was \$2,892.50, Defendants and Loan Consultant failed to clarify their partially
15 true representations and advise Mimiaga and Petersen that: (1) their monthly payment would not
16 pay down any of their principal balance during the Interest-Only period, or (2) their monthly
17 payment would drastically increase at the end of the Interest-Only period, or (3) the amount of
18 their initial, disclosed monthly payment would not remain “fixed” for the entire term of his loan.

19 Defendants and Loan Consultant altered Mimiaga and Petersen’s loan application without
20 their knowing consent or authorization as Loan Consultant completed Mimiaga and Petersen’s
21 application without giving Mimiaga and Petersen an opportunity to review the loan application.
22 Further, Defendants and Loan Consultant advised them that they were eligible for a Low Doc
23 Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
24 documentation requirement to fraudulently inflate their income; and in doing so, Defendants and
25 Loan Consultant caused them to be placed into a loan whose payments they could not afford
26 given their true, un-inflated monthly income.

27 Defendants and Loan Consultant also explicitly represented to Mimiaga and Petersen that
28 they could afford their loan and further represented that they could shoulder the additional

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1 financial burden of repaying their loan in consideration of their other existing debts; yet failed to
2 disclose that the fully amortized monthly payment on the loan was \$3,981.36. Defendants and
3 Loan Consultant further represented to Mimiaga and Petersen that they could rely on the
4 assessment that they were "qualified" to mean that they could afford the loan. Because of
5 Mimiaga and Petersen's lack of familiarity with how much debt a person can and should
6 reasonably take on compared to their monthly income, and because Mimiaga and Petersen
7 reasonably relied on Defendants' and Loan Consultant's expertise that any payment they were
8 "qualified" for would take into account what the maximum debt a person such as Mimiaga and
9 Petersen should be shouldering was, Mimiaga and Petersen reasonably believed Defendants' and
10 Loan Consultant's representations that they could afford their loan and its payments. Although
11 Defendants and Loan Consultant represented to Mimiaga and Petersen that they were "qualified"
12 for their loan and could afford their loan and its monthly payments, Defendants and Loan
13 Consultant misled Mimiaga and Petersen into believing that their monthly payments would
14 always only be \$2,892.50. Furthermore, at no point did Defendants or Loan Consultant clarify
15 Mimiaga and Petersen's false belief and advise them that \$2,892.50 would not be their
16 permanent payment under the loan, or that every time they made a monthly payment in the
17 amount of \$2,892.50, they were not paying down any of their principal balance.

18 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
19 on behalf of Defendants were accurate and made in good faith. On or around January 2007,
20 Bradbury Appraisal Service, Inc., an appraisal company under the direct control and supervision
21 of Defendants, conducted an appraisal on Mimiaga and Petersen's home, which was fraudulently
22 inflated to \$715,000.00 - a grossly an intentionally overstated value. The current fair market
23 value of Petersen's home is approximately \$494,202.00. Mimiaga and Petersen allege that the
24 appraisal was artificially inflated, and that they have suffered damages in the amount of
25 \$220,798.00 (\$715,000.00-\$494,202.00) due to a substantial loss of equity in their home as a
26 result of Defendants' fraudulent inflation and other acts described herein.

27 Defendants and Loan Consultant also represented to Mimiaga and Petersen that they
28 would be able to refinance their loan at a later time. Mimiaga and Petersen relied on this

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1 assurance in deciding to enter into the mortgage contract. However, Mimiaga and Petersen have
2 not been able to refinance their loan because they did not generate enough income, had a low
3 credit score and the value of their home was of under value.

4 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
5 reputable and complied with industry standard underwriting guidelines and were engaged in
6 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
7 made in good faith; (3) Mimiaga and Petersen could afford the loan; (4) they were "qualified" for
8 their loan; (5) "qualified" meant that they could afford their loan; (6) Defendants would modify
9 their loan; and (7) they would be able to refinance their loan.

10 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
11 otherwise improperly disclosed to Mimiaga and Petersen that: (1) Defendants and Loan
12 Consultant knew that they could not and would not be able to afford their loan and that there was
13 a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an
14 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
15 and Loan Consultant's "qualification" process was for Defendants' own protection and not
16 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
17 pay their loan was not intended to communicate that they could actually "afford" the loan which
18 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
19 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
20 appraiser to over-value Mimiaga and Petersen's home to require them to borrow more money
21 with the knowledge that the true value of Mimiaga and Petersen's home was insufficient to
22 justify the amount of Mimiaga and Petersen's loan; or (7) Defendants knew that due to its
23 scheme of fraudulently manipulating and inflating property values throughout the State of
24 California that the real estate market would crash and Petersen would lose substantial equity in
25 their home.

26 Based on these misrepresentations and omissions, the material facts concerning Mimiaga
27 and Petersen's loan were concealed from them, and they decided to move forward with their
28 loan. On January 24, 2007, Mimiaga and Petersen signed the loan and Deed of Trust, before a

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1 notary. Had they known the truth however, Mimiaga and Petersen would not have accepted the
2 loan. As a result of Defendants' fraudulent acts described throughout this complaint Mimiaga
3 and Petersen have lost substantial equity in their home, have damaged or destroyed credit, and at
4 the time Mimiaga and Petersen entered into the loan their home was worth \$715,000.00, now
5 their home is worth approximately \$494,202.00. Mimiaga and Petersen did not discover any of
6 these misrepresentations or omissions until after a consultation with legal counsel at Brookstone
7 Law, and through a complete and thorough investigation of the loan documentation, and a
8 discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
9 throughout this complaint, were brought to light on or around January 12, 2011. (True and
10 correct copy of the aforementioned documents are attached hereto as *Exhibit 3*).

11 4. Plaintiffs Robin Gaston and Patrick Gaston (collectively referred to as "Mr. and
12 Mrs. Gaston") discussed refinancing an existing mortgage on their property located at 10726
13 Lynn Circle, Cypress, CA 90630, A.P.N.:134-553-39 with a Loan Consultant ("Loan
14 Consultant"), a representative and authorized agent of Homecoming Financial Corporation and
15 Defendants herein (the "Defendants") in or around August 2006. In the course of their
16 discussions ranging from August 2006 until October 2006, Defendants and Loan Consultant
17 steered them into a fixed rate mortgage in the amount of \$552,000.00 with an interest rate at
18 4.125% for a term of 30 years. This loan was originated by GMAC, on the note and deed of trust
19 Homecoming Financial Corporation is identified as the lender, and GMAC is servicing the loan.

20 Further, Defendants and Loan Consultant advised them that they were eligible for a Low
21 Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
22 documentation requirement to fraudulently inflate their income; and in doing so, Defendants and
23 Loan Consultant caused them to be placed into a loan whose payments they could not afford
24 given their true, *un-inflated* monthly income. Defendants and Loan Consultant altered Mr. and
25 Mrs. Gaston's loan application without their knowing consent or authorization as Loan
26 Consultant completed Mr. and Mrs. Gaston's application without giving Mr. and Mrs. Gaston an
27 opportunity to review the loan application.

28 Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Gaston that

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1 they could afford their loan and further represented that they could shoulder the additional
2 financial burden of repaying their loan in consideration of their other existing debts. Defendants
3 and Loan Consultant also represented to them that they could afford a \$2,675.27 monthly
4 payment, despite their \$7,494.00 true monthly income (a “front-end” debt-to-income ratio,
5 meaning a debt-to-income ratio, before any other debts are even considered, of over 36%).
6 Defendants and Loan Consultant further represented to Mr. and Mrs. Gaston that they could rely
7 on the assessment that they were “qualified” to mean that they could afford the loan. Because of
8 Mr. and Mrs. Gaston’s lack of familiarity with how much debt a person can and should
9 reasonably take on compared to their monthly income, and because Mr. and Mrs. Gaston
10 reasonably relied on Defendants’ and Loan Consultant’s expertise that any payment they were
11 “qualified” for would take into account what the maximum debt a person such as Mr. and Mrs.
12 Gaston should be shouldering was, Mr. and Mrs. Gaston reasonably believed Defendants’ and
13 Loan Consultant’s representations that they could afford their loan and its payments.

14 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
15 on behalf of Defendants were accurate and made in good faith. On or around October 3, 2006, an
16 appraisal company under the direct control and supervision of Defendants conducted an appraisal
17 on Mr. and Mrs. Gaston’s home, which was fraudulently inflated to an intentionally overstated
18 value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Gaston’s
19 home was worth \$690,000.00 at the time they entered into their loan, and that such a valuation
20 was a true and correct measure of their home’s worth. The current fair market value of Mr. and
21 Mrs. Gaston’s home is approximately \$321,300.00. Mr. and Mrs. Gaston allege that the appraisal
22 was artificially inflated, and that they have suffered damages in the amount of \$368,700.00
23 (\$690,000.00-\$321,300.00) due to a substantial loss of equity in their home as a result of
24 Defendants’ fraudulent inflation and other acts described herein.

25 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
26 reputable and complied with industry standard underwriting guidelines and were engaged in
27 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
28 made in good faith; (3) Mr. and Mrs. Gaston could afford the loan; (4) they were “qualified” for

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1 their loan; and (5) "qualified" meant that they could afford their loan.

2 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
3 otherwise improperly disclosed to Mr. and Mrs. Gaston that: (1) Defendants and Loan
4 Consultant knew that they could not and would not be able to afford their loan and that there was
5 a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an
6 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
7 and Loan Consultant's "qualification" process was for Defendants' own protection and not
8 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
9 pay their loan was not intended to communicate that they could actually "afford" the loan which
10 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
11 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
12 appraiser to over-value Mr. and Mrs. Gaston's home to require them to borrow more money with
13 the knowledge that the true value of Mr. and Mrs. Gaston's home was insufficient to justify the
14 amount of Mr. and Mrs. Gaston's loan; or (7) Defendants knew that due to its scheme of
15 fraudulently manipulating and inflating property values throughout the State of California that
16 the real estate market would crash and Mr. and Mrs. Gaston would lose substantial equity in their
17 home.

18 Based on these misrepresentations and omissions, the material facts concerning Mr. and
19 Mrs. Gaston's loan were concealed from them, and they decided to move forward with their
20 loan. On October 31, 2006, Mr. and Mrs. Gaston signed the loan and Deed of Trust, before a
21 notary. Had they known the truth however, Mr. and Mrs. Gaston would not have accepted the
22 loan. As a result of Defendants' fraudulent acts described throughout this complaint Mr. and
23 Mrs. Gaston have lost substantial equity in their home, have damaged or destroyed credit, and at
24 the time Mr. and Mrs. Gaston entered into the loan their home was worth \$690,000.00, now their
25 home is worth approximately \$321,300.00. Mr. and Mrs. Gaston did not discover any of these
26 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
27 and through a complete and thorough investigation of the loan documentation, and a discussion
28 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this

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1 complaint, were brought to light on or around March 26, 2011.

2 5. Plaintiff Mary Serrano (“Serrano”) discussed obtaining a mortgage to purchase
3 her home located at 3423 East White Chapel Court Unit B, Orange, CA 92869 and A.P.N. 939-
4 21-315 with a Loan Consultant (“Loan Consultant”) with Nationwide Lending Corporation, a
5 correspondent of GMAC and Defendants herein (the “Defendants”), and authorized by
6 Defendants to lend on its behalf, in or around January 2006. In the course of their discussions
7 ranging from January 2006 until March 2006, Defendants steered her into a negatively amortized
8 PayOption ARM in the amount of \$412,000.00 with an interest rate at 1.750% for a term of 40
9 years. Little did Serrano know, however, the interest rate was never “fixed” but applied to only
10 her first monthly payment and could adjust every 12 months thereafter. The amount of Serrano’s
11 minimum monthly payment was “fixed” for 12 months and could adjust every 12 months
12 thereafter. When the amount of the minimum monthly payment is insufficient to cover the
13 amount of interest due, then the amount of that deficiency is added onto the unpaid principal
14 balance of her loan. The recast point of this loan is 115% of the original loan amount. Loan
15 Consultant and Defendants also steered Serrano into a piggy-back loan in the amount of
16 \$51,500.00 with the interest rate 11.57% for a term of 15 years. This loan was originated by
17 GMAC and Defendants, the note and deed of trust identifies Nationwide Lending Corporation as
18 the lender, and Aurora is currently servicing the loan.

19 Defendants represented to Serrano that her monthly payment would always be \$1,194.00
20 Although the amount of Serrano’s initial, minimum monthly payment was \$1,194.00,
21 Defendants failed to clarify their partially true representations and advise Serrano : (1) how the
22 interest rate on her loan was calculated; (2) that the initial minimum monthly payment of
23 \$1,194.00 would not always be available; (3) that the initial minimum monthly payment would
24 not be the permanent payment under the loan despite Defendants’ affirmative representations to
25 the contrary; (4) that by paying the initial minimum monthly payment she would be definitively
26 deferring interest on her loan, increasing the principal balance of her loan every time she made
27 the minimum monthly payment; (5) that by paying the minimum monthly payment the principal
28 balance of her loan was certain to increase; or (6) her loan would be recast within a few years

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1 and she would be forced to pay considerably higher payments.

2 The disclosures in Serrano's loan documents discussing negative amortization only frame
3 negative amortization as a mere **possibility** rather than a **certainty** when making the minimum
4 payment. However, the reality was that by making the minimum payment, negative amortization
5 was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure
6 Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails
7 to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative
8 amortization. Serrano was not provided, before entering into the loans, with any other payment
9 schedule or with any informed option to make payments different than those listed in the TILDS
10 payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS
11 Serrano would be deferring interest, or had Defendants disclosed the payment amounts sufficient
12 to avoid negative amortization from occurring, Serrano would not have entered into the loan.
13 **Defendants intentionally omitted a clear disclosure of the nature of Serrano's loan because**
14 **giving a clear explanation of how the loan worked would have punctured the illusion of a**
15 **low-payment, low interest rate loan.**

16 Defendants altered Serrano's loan application without her knowing consent or
17 authorization as Defendants completed Serrano's application without giving Serrano an
18 opportunity to review the loan application. Further, Defendants advised her that she was eligible
19 for a Low Doc Loan. Unbeknownst to her at the time, Defendants used this low documentation
20 requirement to fraudulently inflate her income and in doing so, Defendants caused her to be
21 placed into a loan whose payments she could not afford given her true, *un-inflated* monthly
22 income.

23 Defendants also explicitly represented to Serrano that she could afford her loan and
24 further represented that she could shoulder the additional financial burden of repaying her loan in
25 consideration of her other existing debts; yet failed to disclose that the fully amortized monthly
26 payment on the loan was \$3,013.00. Given Serrano's true monthly income of \$3,112.00, this
27 represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other
28 debts are even considered, of over 96%- in excess of industry standard underwriting guidelines,

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1 and in excess of Defendants' own underwriting guidelines. Defendants further represented to
2 Serrano that she could rely on the assessment that she was "qualified" to mean that she could
3 afford the loan. Because of Serrano's lack of familiarity with how much debt a person can and
4 should reasonably take on compared to her monthly income, and because Serrano reasonably
5 relied on Defendants' expertise that any payment she was "qualified" for would take into account
6 what the maximum debt a person such as Serrano should be shouldering was, Serrano reasonably
7 believed Defendants' representations that she could afford her loan and its payments. Although
8 Defendants represented to Serrano that she was "qualified" for her loan and could afford her loan
9 and its monthly payments, Defendants misled Serrano into believing that her monthly payments
10 would always only be \$1,194.00. Furthermore, at no point did Defendants clarify Serrano's false
11 belief and advise her that \$1,194.00 would not be her permanent payment under the loan, or that
12 every time she made a monthly payment in the amount of \$1,194.00, which is less than interest
13 only, she would be deferring interest on her loan, increasing the principal balance of her loan.

14 In addition, Defendants represented that appraisals conducted by or on behalf of
15 Defendants were accurate and made in good faith. On or around March 2006, an appraisal
16 company under the direct control and supervision of Defendants conducted an appraisal on
17 Serrano's home, which was fraudulently inflated to an intentionally overstated value. Defendants
18 represented that, per appraisal, Serrano's home was worth \$430,000.00 at the time she entered
19 into her loan, and that such a valuation was a true and correct measure of her home's worth. The
20 current fair market value of Serrano's home is approximately \$301,100.00. Serrano alleges that
21 the appraisal was artificially inflated, and that she has suffered damages in the amount of
22 \$128,900.00 (\$430,000.00-\$301,100.00) due to a substantial loss of equity in her home as a
23 result of Defendants' fraudulent inflation and other acts described herein.

24 Defendants also represented to Serrano that she would be able to refinance her loan at a
25 later time. Serrano relied on this assurance in deciding to enter into the mortgage contract.
26 However, Serrano has not been able to refinance her loan. Defendants also represented that it
27 would modify Serrano's loan, and Serrano relied on this representation in deciding to enter into
28 the loan. However, Serrano was unable to modify her loan.

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1 Furthermore, Defendants represented that: (1) Defendants were reputable and complied
2 with industry standard underwriting guidelines and were engaged in lending of the highest
3 caliber; (2) property appraisals done by Defendants were accurate and made in good faith; (3)
4 Serrano could afford the loan; (4) she was “qualified” for her loan; (5) “qualified” meant that she
5 could afford her loan; (6) Defendants would modify her loan in the future; and (7) Defendants
6 would refinance her loan in the future.

7 Moreover, Defendants withheld or incompletely, inaccurately or otherwise improperly
8 disclosed to Serrano that: (1) Defendants knew that she could not and would not be able to afford
9 her loan and that there was a very high probability that she would default and/or be foreclosed
10 upon; (2) Defendants had an incentive to sell her loan, and did sell her loan at fraudulently
11 inflated prices; (3) Defendants’ “qualification” process was for Defendants’ own protection and
12 not hers; (4) that Defendants’ representations that she was “qualified” to pay her loan was not
13 intended to communicate that she could actually “afford” the loan which she was being given;
14 (5) Defendants had abandoned its conventional lending business, prudent lending standards, and
15 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
16 Serrano’s home to require her to borrow more money with the knowledge that the true value of
17 Serrano’s home was insufficient to justify the amount of Serrano’s loan; or (7) Defendants knew
18 that due to its scheme of fraudulently manipulating and inflating property values throughout the
19 State of California that the real estate market would crash and Serrano would lose substantial
20 equity in her home.

21 Based on these misrepresentations and omissions, the material facts concerning Serrano’s
22 loan were concealed from her, and she decided to move forward with her loan. On March 22,
23 2006, Serrano signed the loan and Deed of Trust, before a notary. Had she known the truth
24 however, Serrano would not have accepted the loan. As a result of Defendants’ fraudulent acts
25 described throughout this complaint Serrano has lost substantial equity in her home, has
26 damaged or destroyed credit, and at the time Serrano entered into the loan her home was worth
27 \$430,000.00, now her home is worth approximately \$301,100.00. Serrano did not discover any
28 of these misrepresentations or omissions until after a consultation with legal counsel at

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1 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
2 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
3 throughout this complaint, were brought to light on or around February 1, 2011. (True and
4 correct copy of the aforementioned documents are attached hereto as ***Exhibit 4***).

5 6. Plaintiff Sarah Sebagh (“Sebagh”) discussed refinancing an existing mortgage on
6 their property located at 1233 N Flores Street #302, West Hollywood CA 90069 and APN 5554-
7 025-162 with a Loan Consultant (“Loan Consultant”), a representative and authorized agent of
8 SBMC, a correspondent of GMAC and Defendants herein (the “Defendants”), and authorized by
9 Defendants to lend on its behalf, in or around March 2006. In the course of their discussions
10 ranging from March 2006 until May 2006, Defendants and Loan Consultant steered her into a
11 negatively amortized PayOption ARM in the amount of \$430,000.00 with an interest rate at
12 1.000% for a term of 30 years. Little did Sebagh know, however, the interest rate was never
13 “fixed” but applied to only their first monthly payment and could adjust every month thereafter.
14 The maximum interest rate is 9.950%. The amount of Sebagh’s minimum monthly payment was
15 “fixed” for 12 months and could adjust every 12 months thereafter. When the amount of the
16 minimum monthly payment is insufficient to cover the amount of interest due, then the amount
17 of that deficiency is added onto the unpaid principal balance of their loan. The recast point of this
18 loan is 110% of the original loan amount. In addition, Defendants and Loan Consultant
19 recommended the loan, representing that the loan was a good loan. The loan was originated by
20 GMAC, on the note and deed of trust SBMC was identified as the lender, and GMAC was the
21 servicer of the loan.

22 Defendants and Loan Consultant represented to Sebagh that her monthly payment would
23 always be \$1,383.05. Although the amount of Sebagh’s initial minimum monthly payment was
24 \$1,383.05, Defendants and Loan Consultant failed to clarify their partially true representations
25 and advise Sebagh: (1) how the interest rate on her loan was calculated; (2) that the initial
26 minimum monthly payment of \$1,383.05 would not always be available; (3) that the initial
27 minimum monthly payment would not be the permanent payment under the loan despite
28 Defendants’ and Loan Consultant’s affirmative representations to the contrary; (4) that by

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1 paying the initial minimum monthly payment she would be definitively deferring interest on her
2 loan, increasing the principal balance of her loan every time she made the minimum monthly
3 payment; (5) that by paying the minimum monthly payment the principal balance of her loan was
4 certain to increase; or (6) her loan would be recast within a few years and she would be forced to
5 pay considerably higher payments.

6 The disclosures in Sebagh's loan documents discussing negative amortization only frame
7 negative amortization as a mere **possibility** rather than a **certainty** when making the minimum
8 payment. However, the reality was that by making the minimum payment, negative amortization
9 was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure
10 Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails
11 to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative
12 amortization. Sebagh was not provided, before entering into the loans, with any other payment
13 schedule or with any informed option to make payments different than those listed in the TILDS
14 payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS
15 Sebagh would be deferring interest, or had Defendants disclosed the payment amounts sufficient
16 to avoid negative amortization from occurring, Sebagh would not have entered into the loan.
17 **Defendants intentionally omitted a clear disclosure of the nature of Sebagh's loan because**
18 **giving a clear explanation of how the loan worked would have punctured the illusion of a**
19 **low-payment, low interest rate loan.**

20 Defendants and Loan Consultant also explicitly represented to Sebagh that she could
21 afford her loan and further represented that she could shoulder the additional financial burden of
22 repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully
23 amortized monthly payment on the loan was \$3,161.018. Given Sebagh's true monthly income
24 of \$2,610.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,
25 before any other debts are even considered, of over 121%- grossly in excess of industry standard
26 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
27 and Loan Consultant further represented to Sebagh that she could rely on the assessment that she
28 was "qualified" to mean that she could afford the loan. Because of Sebagh's lack of familiarity

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1 with how much debt a person can and should reasonably take on compared to her monthly
2 income, and because Sebagh reasonably relied on Defendants' and Loan Consultant's expertise
3 that any payment she was "qualified" for would take into account what the maximum debt a
4 person such as Sebagh should be shouldering was, Sebagh reasonably believed Defendants' and
5 Loan Consultant's representations that she could afford her loan and its payments.

6 Although Defendants and the Loan Consultant represented to Sebagh that she was
7 "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the
8 Loan Consultant misled Sebagh into believing that her monthly payments would always only be
9 \$1,383.05. Furthermore, at no point did Defendants or Loan Consultant clarify Sebagh's false
10 belief and advise her that \$1,383.05 would not be her permanent payment under the loan, or that
11 every time she made a monthly payment in the amount of \$1,383.05, which is less than interest
12 only, she would be deferring interest on her loan, increasing the principal balance of her loan.

13 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
14 on behalf of Defendants were accurate and made in good faith. On or around April 26, 2006, an
15 appraisal company under the direct control and supervision of Defendants conducted an appraisal
16 on Sebagh's home, which was fraudulently inflated to an intentionally overstated value. The
17 current fair market value of Sebagh's home is approximately \$330,650.00. Sebagh alleges that
18 the appraisal was artificially inflated, and that she has suffered damages due to a substantial loss
19 of equity in her home as a result of Defendants' fraudulent inflation and other acts described
20 herein.

21 Defendants and Loan Consultant also represented to Sebagh that she would be able to
22 refinance her loan at a later time. Sebagh relied on this assurance in deciding to enter into the
23 mortgage contract. However, Sebagh has not been able to refinance her loan because her income
24 was insufficient to justify the size of the loan. Defendants and Loan Consultant also represented
25 that it would modify Sebagh's loan, and Sebagh relied on this representation in deciding to enter
26 into the loan. However, Sebagh were unable to modify her loan. After many unsuccessful
27 applications for a loan modification, Sebagh received a three-month trial-payment plan in
28 September 2011, hoping that Defendants would offer her a permanent loan modification at the

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1 end of the trial period. Per Defendants' request Sebagh made three timely trial payments or even
2 made them in advance of the due date. However, Defendants rejected Sebagh's loan
3 modification despite Sebagh's compliance with every term of the modification offer. First,
4 Defendants sent Sebagh an approval letter for a loan modification, then only two days of the
5 receipt of the approval letter Defendants mailed her a conflicting denial letter stating that
6 Sebagh's loan was not approved for a permanent loan modification. Defendants refused to
7 permanently modify Sebagh's loan.

8 In addition, the foreclosure against Sebagh was wrongful. The assignment deed of trust
9 (February 22, 2011) noted MERS as the party assigning the beneficiary interest in the property in
10 its individual capacity. However, under California law MERS is only a nominee acting on behalf
11 of the true beneficiary, and cannot initiate foreclosure in its own name. MERS can only act when
12 acting in its nominal capacity. Here, MERS assigned the interest in the Deed of Trust from to
13 Deutsch Bank Nation Trust Company in its own name, rendering the ADOT void. Accordingly,
14 Deutsch Bank National Trust Company was never properly assigned the beneficial interest as a
15 foreclosing beneficiary of the Deed. Therefore, any subsequent recorded documents based on
16 that assignment in order to move forward with the foreclosure sale would be void as well.
17 Moreover, the foreclosure against Sebagh was wrongful because at the time the NOD was
18 recorded (April 22, 2011), the foreclosing trustee (Executive Trustee Services) did not have the
19 legal authority to initiate the foreclosure because the foreclosing trustee was never properly
20 substituted as trustee. The original trustee under the Deed of Trust (recorded May 31, 2006) was
21 T.D Services.

22 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
23 reputable and complied with industry standard underwriting guidelines and were engaged in
24 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
25 made in good faith; (3) Sebagh could afford the loan; (4) she was "qualified" for her loan; (5)
26 "qualified" meant that she could afford their loan; (6) Defendants would modify her loan in the
27 future; and (7) she would be able to refinance her loan in the future.

28 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or

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1 otherwise improperly disclosed to Sebagh that: (1) Defendants and Loan Consultant knew that
2 she could not and would not be able to afford her loan and that there was a very high probability
3 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
4 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
5 "qualification" process was for Defendants' own protection and not hers; (4) that Defendants'
6 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
7 to communicate that she could actually "afford" the loan which she were being given; (5)
8 Defendants had abandoned its conventional lending business, prudent lending standards, and
9 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
10 Sebagh's home to require her to borrow more money with the knowledge that the true value of
11 Sebagh's home was insufficient to justify the amount of Sebagh's loan; or (7) Defendants knew
12 that due to its scheme of fraudulently manipulating and inflating property values throughout the
13 State of California that the real estate market would crash and Sebagh would lose substantial
14 equity in her home.

15 Based on these misrepresentations and omissions, the material facts concerning Sebagh's
16 loan were concealed from her, and she decided to move forward with her loan. On May 10,
17 2006, Sebagh signed the loan and Deed of Trust, before a notary. Had she known the truth
18 however, Sebagh would not have accepted the loan. As a result of Defendants' fraudulent acts
19 described throughout this complaint Sebagh has lost substantial equity in her home, has damaged
20 or destroyed credit, and at the time Sebagh entered into the loan her home was worth
21 substantially more than the approximately \$330,650.00 it is worth today. Mr. and Mrs. Sebagh
22 did not discover any of these misrepresentations or omissions until after a consultation with legal
23 counsel at Brookstone Law, and through a complete and thorough investigation of the loan
24 documentation, and a discussion of the surrounding facts, the fraudulent acts of the Defendants,
25 as described throughout this complaint, were brought to light on or around April 10, 2012. (True
26 and correct copy of the aforementioned documents are attached hereto as *Exhibit 5*).

27 7. Plaintiffs Rick Albritton and Deborah Albritton ("Mr. and Mrs. Albritton")
28 discussed refinancing an existing mortgage on their property located at 2030 West Windhaven

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1 Drive, Rialto, CA 92377 and A.P.N: 0239-711-22 with a Loan Consultant (“Loan Consultant”) a
2 representative and authorized agent of GMAC and Defendants herein (the “Defendants”) in or
3 around August 2006. In the course of their discussions ranging from August 2006 until October
4 2006, Defendants and Loan Consultant steered them into an Adjustable Rate Mortgage in the
5 amount of \$310,000.00 with the initial interest rate of 6.250% for a term of 30 years. Loan
6 Consultant recommended the loan, representing that this is the best loan for Mr. and Mrs.
7 Albritton. This loan was originated by GMAC, on the note and deed of trust GMAC was
8 identified as the lender, and GMAC was the servicer of the loan.

9 Defendants and Loan Consultant altered Mr. and Mrs. Albritton’s loan application
10 without their knowing consent or authorization as Loan Consultant completed Mr. and Mrs.
11 Albritton’s application without giving Mr. and Mrs. Albritton an opportunity to review the loan
12 application. Further, Defendants and Loan Consultant advised them that they were eligible for a
13 Low Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this
14 low documentation requirement to fraudulently inflate their income ; and in doing so, Defendants
15 and Loan Consultant caused them to be placed into a loan whose payments they could not afford
16 given their true, *un-inflated* monthly income.

17 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Albritton that
18 they could afford their loan; and further represented that they could shoulder the additional
19 financial burden of repaying their loan in consideration of their other existing debts. Defendants
20 and Loan Consultant also represented to them that they could afford a \$1,908.00 monthly
21 payment, despite their \$3,643.00 true monthly income (a “front-end” debt-to-income ratio,
22 meaning a debt-to-income ratio, before any other debts are even considered, of over 52%- in
23 excess of industry standard underwriting guidelines, and in excess of Defendants’ own
24 underwriting guidelines). Defendants and Loan Consultant further represented to Mr. and Mrs.
25 Albritton that they could rely on the assessment that they were “qualified” to mean that they
26 could afford the loan. Because of Mr. and Mrs. Albritton’s lack of familiarity with how much
27 debt a person can and should reasonably take on compared to their monthly income, and because
28 Mr. and Mrs. Albritton reasonably relied on Defendants’ and Loan Consultant’s expertise that

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1 any payment they were "qualified" for would take into account what the maximum debt a person
2 such as Mr. and Mrs. Albritton should be shouldering was, Mr. and Mrs. Albritton reasonably
3 believed Defendants' and Loan Consultant's representations that they could afford their loan and
4 its payments.

5 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
6 on behalf of Defendants were accurate and made in good faith. On or around September 12,
7 2006, an appraisal company under the direct control and supervision of Defendants conducted an
8 appraisal on Mr. and Mrs. Albritton's home, which was fraudulently inflated to \$420,000.00 - an
9 intentionally overstated value. The current fair market value of Mr. and Mrs. Albritton's home is
10 approximately \$146,566.00. Mr. and Mrs. Albritton allege that the appraisal was artificially
11 inflated, and that they have suffered damages in the amount of \$273,434.00 (\$420,000.00-
12 \$146,566.00) due to a substantial loss of equity in their home as a result of Defendants'
13 fraudulent inflation and other acts described herein.

14 Defendants and Loan Consultant also represented to Mr. and Mrs. Albritton that they
15 would be able to refinance their loan at a later time. Mr. and Mrs. Albritton relied on this
16 assurance in deciding to enter into the mortgage contract. However, Mr. and Mrs. Albritton have
17 not been able to refinance their loan. Defendants and Loan Consultant also represented that it
18 would modify Mr. and Mrs. Albritton's loan, and Mr. and Mrs. Albritton relied on this
19 representation in deciding to enter into the loan. In addition, Mr. and Mrs. Albritton were advised
20 by a representative of Defendants, to stop making payments in order to be eligible for a
21 modification. Mr. and Mrs. Albritton relied on Defendants' and representative's advice and
22 stopped making their monthly payments causing them to fall even further behind. However, Mr.
23 and Mrs. Albritton were unable to modify their loan.

24 The foreclosure against Rick Albritton and Deborah Albritton (collectively referred to as
25 "Mr. and Mrs. Albritton") was wrongful because the Substitution of Trustee (SOT) is ineffective.
26 Under California law, MERS is only a nominee acting on behalf of the true beneficiary and
27 cannot initiate foreclosure in its own name. MERS only has the power to act when acting in its
28 nominal capacity. Here, MERS in its individual capacity purports to substitute Executive Trustee

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1 Services, LLC. The original trustee on the deed of trust was Executive Trustee Services,
2 Incorporation. However, MERS cannot do so in its individual capacity, rendering the SOT
3 without effect. Accordingly ETS, LLC was never properly substituted as the foreclosing trustee
4 and thus unauthorized to conduct the trustee's sale. Under California law, a trustee's sale
5 conducted by an unauthorized trustee as here, is void as a matter of law. Therefore, any
6 subsequent foreclosure sale based on that SOT is also void ad initio.

7 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
8 reputable and complied with industry standard underwriting guidelines and were engaged in
9 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
10 made in good faith; (3) Mr. and Mrs. Albritton could afford the loan ; (4) they were "qualified"
11 for their loan; (5) "qualified" meant that they could afford their loan; (6) they would be able to
12 modify their loan in the future; and (7) they would be able to refinance their loan in the future.

13 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
14 otherwise improperly disclosed to Mr. and Mrs. Albritton that: (1) Defendants and Loan
15 Consultant knew that they could not and would not be able to afford their loan and that there was
16 a very high probability that they would default and/or be foreclosed upon; (2) Defendants had an
17 incentive to sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants'
18 and Loan Consultant's "qualification" process was for Defendants' own protection and not
19 theirs; (4) that Defendants' and Loan Consultant's representations that they were "qualified" to
20 pay their loan was not intended to communicate that they could actually "afford" the loan which
21 they were being given; (5) Defendants had abandoned its conventional lending business, prudent
22 lending standards, and industry standard underwriting guidelines; (6) Defendants influenced the
23 appraiser to over-value Mr. and Mrs. Albritton's home to require them to borrow more money
24 with the knowledge that the true value of Mr. and Mrs. Albritton's home was insufficient to
25 justify the amount of Mr. and Mrs. Albritton's loan; or (7) Defendants knew that due to its
26 scheme of fraudulently manipulating and inflating property values throughout the State of
27 California that the real estate market would crash and Mr. and Mrs. Albritton would lose
28 substantial equity in their home.

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1 Based on these misrepresentations, the material facts concerning Mr. and Mrs. Albritton's
2 loan were concealed from them, and they decided to move forward with their loan. On October
3 2, 2006, Mr. and Mrs. Albritton signed the loan and Deed of Trust, before a notary. Had they
4 known the truth however, Mr. and Mrs. Albritton would not have accepted the loan. As a result
5 of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Albritton have
6 lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and
7 Mrs. Albritton entered into the loan their home was worth \$420,000.00, now their home is worth
8 approximately \$146,566.00. Mr. and Mrs. Albritton did not discover any of these
9 misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a
10 complete and thorough investigation of the loan documentation, and a discussion of the
11 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
12 were brought to light on or around March 16, 2011. (True and correct copy of the
13 aforementioned documents are attached hereto as ***Exhibit 6***).

14 8. Plaintiff Veronica Grey ("Grey") discussed obtaining a mortgage to purchase her
15 home located at 217 4th Avenue #2, Venice, CA 90291 and A.P.N.: 4286-001-048 with a Loan
16 Consultant ("Loan Consultant") with Green Point Mortgage Funding, Inc., a correspondent of
17 GMAC and Defendants herein ("the Defendants"), and authorized by Defendants to lend on its
18 behalf, in or around April 2006. In the course of their discussions ranging from April 2006 until
19 June 2006, Defendants and Loan Consultant steered her into a negatively amortized PayOption
20 ARM in the amount of \$736,000.00 with an interest rate at 2.000% for a term of 40 years. Little
21 did Grey know, however, the interest rate was never "fixed" but applied to only her first monthly
22 payment and could adjust every 12 months thereafter. The maximum interest rate is 12.000%.
23 The amount of Grey's minimum monthly payment was "fixed" for 12 months and could adjust
24 every 12 months thereafter. When the amount of the minimum monthly payment is insufficient
25 to cover the amount of interest due, then the amount of that deficiency is added onto the unpaid
26 principal balance of her loan. The recast point of this loan is 125% of the original loan amount.
27 The loan was originated by GMAC. On the note and Deed of Trust Green Point Mortgage
28 Funding, Inc. is identified as the lender, and the loan is being serviced by GMAC.

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1 Defendants and Loan Consultant represented to Grey that her monthly payment would
2 always be \$2,228.00 Although the amount of Grey's initial, minimum monthly payment was
3 \$2,228.00, Defendants and Loan Consultant failed to clarify their partially true representations
4 and advise Grey: (1) how the interest rate on her loan was calculated; (2) that the initial
5 minimum monthly payment of \$2,228.00 would not always be available; (3) that the initial
6 minimum monthly payment would not be the permanent payment under the loan despite
7 Defendants' and Loan Consultant's affirmative representations to the contrary; (4) that by
8 paying the initial minimum monthly payment she would be definitively deferring interest on her
9 loan, increasing the principal balance of her loan every time she made the minimum monthly
10 payment; (5) that by paying the minimum monthly payment the principal balance of her loan was
11 certain to increase; or (6) her loan would be recast within a few years and she would be forced to
12 pay considerably higher payments.

13 The disclosures in Grey's loan documents discussing negative amortization only frame
14 negative amortization as a mere **possibility** rather than a **certainty** when making the minimum
15 payment. However, the reality was that by making the minimum payment, negative amortization
16 was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure
17 Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails
18 to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative
19 amortization. Grey was not provided, before entering into the loans, with any other payment
20 schedule or with any informed option to make payments different than those listed in the TILDS
21 payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS
22 Grey would be deferring interest, or had Defendants disclosed the payment amounts sufficient to
23 avoid negative amortization from occurring, Grey would not have entered into the loan.

24 **Defendants intentionally omitted a clear disclosure of the nature of Grey's loan because**
25 **giving a clear explanation of how the loan worked would have punctured the illusion of a**
26 **low-payment, low interest rate loan.**

27 Defendants and Loan Consultant altered Grey's loan application without her knowing
28 consent or authorization as Loan Consultant completed Grey's application without giving Grey

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1 an opportunity to review the loan application. Further, Defendants and Loan Consultant advised
2 her that she was eligible for a Low Doc Loan. Unbeknownst to her at the time, Defendants and
3 Loan Consultant used this low documentation requirement to fraudulently inflate her income,
4 and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose
5 payments she could not afford given her true, *un-inflated* monthly income.

6 Defendants and Loan Consultant also explicitly represented to Grey that she could afford
7 her loan and further represented that she could shoulder the additional financial burden of
8 repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully
9 amortized monthly payment on the loan was \$5,460.54. Given Grey's true monthly income of
10 \$10,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,
11 before any other debts are even considered, of over 54%- in excess of industry standard
12 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
13 and Loan Consultant further represented to Grey that she could rely on the assessment that she
14 was "qualified" to mean that she could afford the loan. Because of Grey's lack of familiarity
15 with how much debt a person can and should reasonably take on compared to her monthly
16 income, and because Grey reasonably relied on Defendants' and Loan Consultant's expertise that
17 any payment she was "qualified" for would take into account what the maximum debt a person
18 such as Grey should be shouldering was, Grey reasonably believed Defendants' and Loan
19 Consultant's representations that she could afford her loan and its payments. Although
20 Defendants and the Loan Consultant represented to Grey that she was "qualified" for her loan
21 and could afford her loan and its monthly payments, Defendants and the Loan Consultant misled
22 Grey into believing that her monthly payments would always only be \$2,228.00. Furthermore, at
23 no point did Defendants or Loan Consultant clarify Grey's false belief and advise her that
24 \$2,228.00 would not be her permanent payment under the loan, or that every time she made a
25 monthly payment in the amount of \$2,228.00, which is less than interest only, she would be
26 deferring interest on her loan, increasing the principal balance of her loan.

27 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
28 on behalf of Defendants were accurate and made in good faith. On or around May 2006, an

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1 appraisal company under the direct control and supervision of Defendants conducted an appraisal
2 on Grey's home, which was fraudulently inflated to an intentionally overstated value.
3 Defendants and Loan Consultant represented that, per appraisal, Grey's home was worth
4 \$800,000.00 at the time she entered into her loan, and that such a valuation was a true and
5 correct measure of her home's worth. The current fair market value of Grey's home is
6 approximately \$467,074.00. Grey alleges that the appraisal was artificially inflated, and that she
7 has suffered damages in the amount of \$332,926.00 (\$800,000.00-\$467,074.00) due to a
8 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other
9 acts described herein.

10 Defendants and Loan Consultant also represented to Grey that she would be able to
11 refinance her loan at a later time. Grey relied on this assurance in deciding to enter into the
12 mortgage contract. However, Grey has not been able to refinance her loan. Defendants and Loan
13 Consultant also represented that it would modify Grey's loan, and Grey relied on this
14 representation in deciding to enter into the loan.

15 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
16 reputable and complied with industry standard underwriting guidelines and were engaged in
17 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
18 made in good faith; (3) Grey could afford the loan ; (4) she was "qualified" for her loan; (5)
19 "qualified" meant that she could afford her loan; (6) she would be able to modify her loan; and
20 (7) she would be able to refinance her loan.

21 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
22 otherwise improperly disclosed to Grey that: (1) Defendants and Loan Consultant knew that she
23 could not and would not be able to afford her loan and that there was a very high probability that
24 she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her loan,
25 and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
26 "qualification" process was for Defendants' own protection and not hers; (4) that Defendants'
27 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
28 to communicate that she could actually "afford" the loan which she was being given; (5)

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1 Defendants had abandoned its conventional lending business, prudent lending standards, and
2 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
3 Grey's home to require her to borrow more money with the knowledge that the true value of
4 Grey's home was insufficient to justify the amount of Grey's loan; or (7) Defendants knew that
5 due to its scheme of fraudulently manipulating and inflating property values throughout the State
6 of California that the real estate market would crash and Grey would lose substantial equity in
7 her home.

8 Based on these misrepresentations and omissions, the material facts concerning Grey's
9 loan were concealed from her, and she decided to move forward with her loan. On June 16,
10 2006, Grey signed the loan and Deed of Trust, before a notary. Had she known the truth
11 however, Grey would not have accepted the loan. As a result of Defendants' fraudulent acts
12 described throughout this complaint Grey has lost substantial equity in her home, has damaged
13 or destroyed credit, and at the time Grey entered into the loan her home was worth \$800,000.00,
14 now her home is worth approximately \$467,074.00. Grey did not discover any of these
15 misrepresentations or omissions until after a consultation with legal counsel at Brookstone Law,
16 and through a complete and thorough investigation of the loan documentation, and a discussion
17 of the surrounding facts, the fraudulent acts of the Defendants, as described throughout this
18 complaint, were brought to light on or around February 12, 2011. (True and correct copy of the
19 aforementioned documents are attached hereto as ***Exhibit 7***).

20 9. Plaintiffs Joselito Mella and Brenda Mella ("Mr. and Mrs. Mella") discussed
21 refinancing an existing mortgage on their home located at 6 Caltrop Way, Ladera Ranch, CA
22 92694 and A.P.N.:741-362-22 with a loan consultant (the "Loan Consultant"), and representative
23 and authorized agent of Defendants herein (the "Defendants") in or around November 2005. In
24 the course of their discussions ranging from November 2005 until January 2005, Defendants and
25 Loan Consultant steered them into a loan of which the Defendants and Loan Consultant
26 concealed and inaccurately, incompletely or otherwise improperly disclosed the material terms
27 and information concerning the loan. This loan was originated by GMAC, on the note and deed
28 of trust Wescom Credit Union is identified as the lender.

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1 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Mella that they
2 could afford their loan; and further represented that they could shoulder the additional financial
3 burden of repaying their loan in consideration of their other existing debts. Loan Consultant and
4 Defendants further represented to Mr. and Mrs. Mella that they could rely on the assessment that
5 they were "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Mella's
6 lack of familiarity with how much debt a person can and should reasonably take on compared to
7 his/her monthly income, and because Mr. and Mrs. Mella reasonably relied on Defendants' and
8 Loan Consultant's expertise that any payment they were "qualified" for would take into account
9 what the maximum debt a person such as Mr. and Mrs. Mella should be shouldering was, Mr.
10 and Mrs. Mella reasonably believed Defendants' and Loan Consultant's representations that they
11 could afford their loan and its payments.

12 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
13 on behalf of Defendants were accurate and made in good faith. An appraisal company under the
14 direct control and supervision of Defendants conducted an appraisal on Mr. and Mrs. Mella's
15 home, which was fraudulently inflated to an intentionally overstated value. Mr. and Mrs. Mella
16 allege that the appraisal was artificially inflated, and that they have suffered damages due to a
17 substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other
18 acts described herein.

19 Loan Consultant and Defendants also represented to Mr. and Mrs. Mella that they would
20 be able to refinance their loan at a later time. Mr. and Mrs. Mella relied on this assurance in
21 deciding to enter into the mortgage contract. However, Mr. and Mrs. Mella have not been able
22 to refinance their loan. Loan Consultant and Defendants also represented that it would modify
23 Mr. and Mrs. Mella's loan, and Mr. and Mrs. Mella relied on this representation in deciding to
24 enter into the loan. In addition, Mr. and Mrs. Mella were advised by a representative and
25 authorized agent of Defendants to stop making payments in order to be eligible for a
26 modification. Mr. and Mrs. Mella relied on the Defendants' and the Defendants representative
27 and authorized agents' advice and stopped making their monthly payments causing them to fall
28 even further behind. However, Mr. and Mrs. Mella were unable to modify their loan.

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1 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were
2 reputable and complied with industry standard underwriting guidelines and were engaged in
3 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
4 made in good faith; (3) Mr. and Mrs. Mella could afford the loan; (4) They were "qualified" for
5 their loan; (5) "qualified" meant that they could afford their loan; (6) They would be able to
6 modify their loan in the future; and (7) They would be able to refinance their loan in the future.

7 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
8 otherwise improperly disclosed to Mr. and Mrs. Mella that: (1) Loan Consultant and Defendants
9 knew that they could not and would not be able to afford their loan and that there was a very high
10 probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to
11 sell their loan, and did sell their loan at fraudulently inflated prices; (3) Loan Consultant's and
12 Defendants' "qualification" process was for Defendants' own protection and not theirs; (4) That
13 Loan Consultant's and Defendants' representations that they were "qualified" to pay their loan
14 was not intended to communicate that they could actually "afford" the loan which they was
15 being given; (5) Defendants had abandoned its conventional lending business, prudent lending
16 standards, and industry standard underwriting guidelines; (6) Defendants influenced the
17 appraiser to over-value Mr. and Mrs. Mella's home to require them to borrow more money with
18 the knowledge that the true value of Mr. and Mrs. Mella's home was insufficient to justify the
19 amount of Mr. and Mrs. Mella's loan; or (7) Defendants knew that due to its scheme of
20 fraudulently manipulating and inflating property values throughout the State of California that
21 the real estate market would crash and Mr. and Mrs. Mella would lose substantial equity in their
22 home.

23 Based on these misrepresentations and omissions, the material facts concerning Mr. and
24 Mrs. Mella's loan were concealed from them, and they decided to move forward with their loan.
25 On January 26, 2006, Mr. and Mrs. Mella signed the loan and Deed of Trust, before a notary.
26 Had they known the truth however, Mr. and Mrs. Mella would not have accepted the loan. As a
27 result of the Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Mella
28 have lost substantial equity in their home, have damaged or destroyed credit, and at the time Mr.

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1 and Mrs. Mella entered into the loan their home was worth substantially more than its current
2 fair market value. Mr. and Mrs. Mella did not discover any of these misrepresentations or
3 omissions until after a consultation with legal counsel at Brookstone Law, and through a
4 complete and thorough investigation of the loan documentation, and a discussion of the
5 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
6 were brought to light on or around April 6, 2011.

7 10. Plaintiffs Michael Man and July Lim (“Man and Lim”) discussed refinancing an
8 existing mortgage on their property located at 15417 Roper Avenue, Norwalk, CA 90650 and
9 A.P.N.:8082-028-020 with a Loan Consultant (“Loan Consultant”), a representative and
10 authorized agent of SCME Mortgage Bankers, a correspondent of GMAC and Defendants herein
11 (the “Defendants”), and authorized by Defendants to lend on its behalf, in or around November
12 2006. In the course of their discussions ranging from November 2006 until January 2007,
13 Defendants and Loan Consultant steered them into a fixed rate mortgage in the amount of
14 \$500,000.00 with an interest rate at 6.75% for a term of 30 years. This loan was originated by
15 GMAC, on the note and deed of trust SCME is identified as the lender, and GMAC is currently
16 servicing the loan.

17 Defendants and Loan Consultant advised them that they were eligible for a Low Doc
18 Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
19 documentation requirement to fraudulently inflate their income by \$6,990.00, a factor of 117%;
20 and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose
21 payments they could not afford given their true, *un-inflated* monthly income. Defendants and
22 Loan Consultant also fraudulently overstated Man and Lim’s assets. Defendants and Loan
23 Consultant altered Man and Lim’s loan application without their knowing consent or
24 authorization as Loan Consultant completed Man and Lim’s application without giving Man and
25 Lim an opportunity to review the loan application.

26 Defendants and Loan Consultant also explicitly represented to Man and Lim that they
27 could afford their loan and further represented that they could shoulder the additional financial
28 burden of repaying their loan in consideration of their other existing debts. Defendants and Loan

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1 Consultant also represented to them that they could afford a \$3,242.99 monthly payment, despite
2 their \$6,000.00 true monthly income (a “front-end” debt-to-income ratio, meaning a debt-to-
3 income ratio, before any other debts are even considered, of over 54% - in excess of industry
4 standard underwriting guidelines, and in excess of Defendants’ own underwriting guidelines).
5 Defendants and Loan Consultant further represented to Man and Lim that they could rely on the
6 assessment that they were “qualified” to mean that they could afford the loan. Because of Man
7 and Lim’s lack of familiarity with how much debt a person can and should reasonably take on
8 compared to their monthly income, and because Man and Lim reasonably relied on Defendants’
9 and Loan Consultant’s expertise that any payment they were “qualified” for would take into
10 account what the maximum debt a person such as Man and Lim should be shouldering was, Man
11 and Lim reasonably believed Defendants’ and Loan Consultant’s representations that they could
12 afford their loan and its payments.

13 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
14 on behalf of Defendants were accurate and made in good faith. On or around December 12,
15 2007, an appraisal company under the direct control and supervision of Defendants conducted an
16 appraisal on Man and Lim’s home, which was fraudulently inflated to an intentionally
17 overstated. Man and Lim’s loan documentation indicates that their home was worth \$650,000.00
18 at the time they entered into their loan. The current fair market value of Man and Lim’s home is
19 approximately \$272,646.00. Man and Lim allege that the appraisal was artificially inflated, and
20 that they have suffered damages in the amount of \$377,354.00 (\$650,000.00-\$272,646.00) due to
21 a substantial loss of equity in their home as a result of Defendants’ fraudulent inflation and other
22 acts described herein.

23 Due to the economic crash caused by Defendants’ fraudulent acts described throughout
24 the complaint, Man and Lim suffered from financial hardship because their income substantially
25 decreased. Defendants and Loan Consultant also represented to Man and Lim that they would be
26 able to refinance their loan at a later time. Man and Lim relied on this assurance in deciding to
27 enter into the mortgage contract. However, Man and Lim have not been able to refinance their
28 loan because their home value has dropped by 50% since they entered into the loan.

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1 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
2 reputable and complied with industry standard underwriting guidelines and were engaged in
3 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
4 made in good faith; (3) Man and Lim could afford the loan; (4) they were "qualified" for their
5 loan; (5) "qualified" meant that they could afford their loan; and (6) Defendants would refinance
6 their loan in the future.

7 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
8 otherwise improperly disclosed to Man and Lim that: (1) Defendants and Loan Consultant knew
9 that they could not and would not be able to afford their loan and that there was a very high
10 probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to
11 sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan
12 Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that
13 Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan
14 was not intended to communicate that they could actually "afford" the loan which they were
15 being given; (5) Defendants had abandoned its conventional lending business, prudent lending
16 standards, and industry standard underwriting guidelines; (6) Defendants influenced the
17 appraiser to over-value Man and Lim's home to require them to borrow more money with the
18 knowledge that the true value of Man and Lim's home was insufficient to justify the amount of
19 Man and Lim's loan; or (7) Defendants knew that due to its scheme of fraudulently manipulating
20 and inflating property values throughout the State of California that the real estate market would
21 crash and Man and Lim would lose substantial equity in their home.

22 Based on these misrepresentations and omissions, the material facts concerning Man and
23 Lim's loan were concealed from them, and they decided to move forward with their loan. On
24 January 2, 2007, Man and Lim signed the loan and Deed of Trust, before a notary. Had they
25 known the truth however, Man and Lim would not have accepted the loan. As a result of
26 Defendants' fraudulent acts described throughout this complaint Man and Lim have lost
27 substantial equity in their home, have damaged or destroyed credit, and at the time Man and Lim
28 entered into the loan their home was worth \$650,000.00, now their home is worth approximately

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1 \$272,646.00. Man and Lim did not discover any of these misrepresentations or omissions until
2 after a consultation with legal counsel at Brookstone Law, and through a complete and thorough
3 investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent
4 acts of the Defendants, as described throughout this complaint, were brought to light on or
5 around April 8, 2011. (True and correct copy of the aforementioned documents are attached
6 hereto as ***Exhibit 8***).

7 11. Plaintiffs David Cruz and Yesenia Cruz (“Mr. and Mrs. Cruz”) discussed
8 obtaining a mortgage to purchase their home located at 48159 Sol De Lind, Coachella, CA
9 92236 and A.P.N.: 612-433-009 with a Loan Consultant (“Loan Consultant”), Equi-First
10 Corporation, a correspondent of GMAC Mortgage, LLC, Defendants herein (“the Defendants”),
11 and authorized by Defendants to lend on its behalf, in or around April 2005. In the course of their
12 discussions ranging from April 2005 until June 2005, Defendants and Loan Consultant advised
13 them to enter into a fixed rate loan in the amount of \$232,500.00 with the interest rate of 6.500%
14 for a term of 30 years. This loan was originated by GMAC, on the note and deed of trust Equi-
15 First Corporation is identified as the lender, and the loan is currently being serviced by GMAC.

16 Further, Defendants and Loan Consultant advised them that they were eligible for a Low
17 Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
18 documentation requirement to fraudulently inflate their income by \$1,000.00, a factor of 27%;
19 and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose
20 payments they could not afford given their true, *un-inflated* monthly income. Defendants and
21 Loan Consultant altered Mr. and Mrs. Cruz’s loan application without their knowing consent or
22 authorization as Loan Consultant completed Mr. and Mrs. Cruz’s application without giving Mr.
23 and Mrs. Cruz an opportunity to review the loan application.

24 Defendants and Loan Consultant explicitly represented to Mr. and Mrs. Cruz that they
25 could afford their loan; and further represented that they could shoulder the additional financial
26 burden of repaying their loan in consideration of their other existing debts. Defendants and Loan
27 Consultant also represented to them that they could afford a \$1,469.00 monthly payment, despite
28 their \$3,700.00 true monthly income (a “front-end” debt-to-income ratio, meaning a debt-to-

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1 income ratio, before any other debts are even considered, of over 39%- in excess of industry
2 standard underwriting guidelines, and in excess of Defendants' own underwriting guidelines).
3 Defendants and Loan Consultant further represented to Mr. and Mrs. Cruz that they could rely on
4 the assessment that they were "qualified" to mean that they could afford the loan. Because of Mr.
5 and Mrs. Cruz's lack of familiarity with how much debt a person can and should reasonably take
6 on compared to their monthly income, and because Mr. and Mrs. Cruz reasonably relied on
7 Defendants' and Loan Consultant's expertise that any payment they were "qualified" for would
8 take into account what the maximum debt a person such as Mr. and Mrs. Cruz should be
9 shouldering was, Mr. and Mrs. Cruz reasonably believed Defendants' and Loan Consultant's
10 representations that they could afford their loan and its payments.

11 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
12 on behalf of Defendants were accurate and made in good faith. On or around May 27, 2005, an
13 appraisal company under the direct control and supervision of Defendants conducted an appraisal
14 on Mr. and Mrs. Cruz's home, which was fraudulently inflated to an intentionally overstated
15 value. Defendants and Loan Consultant represented that, per appraisal, Mr. and Mrs. Cruz's
16 home was worth \$310,000.00 at the time they entered into their loan, and that such a valuation
17 was a true and correct measure of their home's worth. The current fair market value of Mr. and
18 Mrs. Cruz's home is approximately \$118,579.00. Mr. and Mrs. Cruz allege that the appraisal was
19 artificially inflated, and that they have suffered damages in the amount of \$191,421.00
20 (\$310,000.00-\$118,579.00) due to a substantial loss of equity in their home as a result of
21 Defendants' fraudulent inflation and other acts described herein.

22 Defendants and Loan Consultant also represented to Mr. and Mrs. Cruz that they would
23 be able to refinance their loan at a later time. Mr. and Mrs. Cruz relied on this assurance in
24 deciding to enter into the mortgage contract. However, Mr. and Mrs. Cruz have not been able to
25 refinance their loan. Defendants and Loan Consultant also represented that it would modify Mr.
26 and Mrs. Cruz's loan, and Mr. and Mrs. Cruz relied on this representation in deciding to enter
27 into the loan. In addition, Mr. and Mrs. Cruz were advised by a representative of Defendants, to
28 stop making payments in order to be eligible for a modification. Mr. and Mrs. Cruz relied on

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1 Defendants' and representative's advice and stopped making their monthly payments causing
2 them to fall even further behind. However, Mr. and Mrs. Cruz were unable to modify their loan.

3 The foreclosure against Cruz is wrongful. Under California law MERS is only a nominee
4 acting on behalf of the true beneficiary, and cannot initiate foreclosure in its own name. MERS
5 only has the power to act when acting in its nominal capacity. Here, MERS in its individual
6 capacity purports to substitute Executive Trustee Services, LLC dba ETS Services, LLC –
7 however MERS cannot do so in its individual capacity, rendering their substitution of trustee
8 without effect. Accordingly, ETS was never properly substituted as trustee and thus
9 unauthorized to conduct the trustee's sale. Under California law, a trustee's sale conducted by an
10 unauthorized trustee as here, is void as a matter of law.

11 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
12 reputable and complied with industry standard underwriting guidelines and were engaged in
13 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
14 made in good faith; (3) Mr. and Mrs. Cruz could afford the loan; (4) they were "qualified" for
15 their loan; (5) "qualified" meant that they could afford their loan; (6) they would be able to
16 modify their loan; and (7) they would be able to refinance their loan.

17 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
18 otherwise improperly disclosed to Mr. and Mrs. Cruz that: (1) Defendants and Loan Consultant
19 knew that they could not and would not be able to afford their loan and that there was a very high
20 probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to
21 sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan
22 Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that
23 Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan
24 was not intended to communicate that they could actually "afford" the loan which they were
25 being given; (5) Defendants had abandoned its conventional lending business, prudent lending
26 standards, and industry standard underwriting guidelines; (6) Defendants influenced the
27 appraiser to over-value Mr. and Mrs. Cruz's home to require them to borrow more money with
28 the knowledge that the true value of Mr. and Mrs. Cruz's home was insufficient to justify the

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1 amount of Mr. and Mrs. Cruz's loan; or (7) Defendants knew that due to its scheme of
2 fraudulently manipulating and inflating property values throughout the State of California that
3 the real estate market would crash and Mr. and Mrs. Cruz would lose substantial equity in their
4 home.

5 Based on these misrepresentations, the material facts concerning Mr. and Mrs. Cruz's
6 loan were concealed from them, and they decided to move forward with their loan. On June 17,
7 2005, Mr. and Mrs. Cruz signed the loan and Deed of Trust, before a notary. Had they known the
8 truth however, Mr. and Mrs. Cruz would not have accepted the loan. As a result of Defendants'
9 fraudulent acts described throughout this complaint Mr. and Mrs. Cruz have lost substantial
10 equity in their home, has damaged or destroyed credit, and at the time Mr. and Mrs. Cruz entered
11 into the loan their home was worth \$310,000.00, now their home is worth approximately
12 \$118,579.00. Mr. and Mrs. Cruz did not discover any of these misrepresentations until after a
13 consultation with legal counsel at Brookstone Law, and through a complete and thorough
14 investigation of the loan documentation, and a discussion of the surrounding facts, the fraudulent
15 acts of the Defendants, as described throughout this complaint, were brought to light on or
16 around May 11, 2011. (True and correct copy of the aforementioned documents are attached
17 hereto as ***Exhibit 9***).

18 12. Plaintiff Gregory Buck ("Buck") discussed obtaining a mortgage on his home
19 located at 68 Toulon Avenue, Foothill Ranch, CA 92610 and A.P.N.: 601-215-04 with a loan
20 consultant (the "Loan Consultant"), and representative and authorized agent of Defendants
21 herein (the "Defendants") in or around June 2006. In the course of their discussions ranging from
22 June 2006 until August 2006, Defendants and Loan Consultant steered him into a loan, of which
23 the Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise
24 improperly disclosed the material terms and information concerning the loan to him. This loan
25 was originated by GMAC, on the note and deed of trust Provident Funding Associates is
26 identified as the lender, and GMAC is currently servicing the loan.

27 Defendants and Loan Consultant explicitly represented to Buck that he could afford his
28 loan; and further represented that he could shoulder the additional financial burden of repaying

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1 his loan in consideration of his other existing debts. Loan Consultant and Defendants further
2 represented to Buck that he could rely on the assessment that he was "qualified" to mean that he
3 could afford the loan. Because of Buck's lack of familiarity with how much debt a person can
4 and should reasonably take on compared to his/her monthly income, and because Buck
5 reasonably relied on Defendants' and Loan Consultant's expertise that any payment he was
6 "qualified" for would take into account what the maximum debt a person such as Buck should be
7 shouldering was, Buck reasonably believed Defendants' and Loan Consultant's representations
8 that he could afford his loan and its payments.

9 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
10 on behalf of Defendants were accurate and made in good faith. An appraisal company under the
11 direct control and supervision of Defendants conducted an appraisal on Buck's home, which was
12 fraudulently inflated to an intentionally overstated value. Buck alleges that the appraisal was
13 artificially inflated, and that he has suffered damages due to a substantial loss of equity in his
14 home as a result of Defendants' fraudulent inflation and other acts described herein.

15 Loan Consultant and Defendants also represented to Buck that he would be able to
16 refinance his loan at a later time. Buck relied on this assurance in deciding to enter into the
17 mortgage contract. However, Buck has not been able to refinance his loan. Loan Consultant and
18 Defendants also represented that it would modify Buck's loan, and Buck relied on this
19 representation in deciding to enter into the loan. In addition, Buck was advised by a
20 representative and authorized agent of Defendants to stop making payments in order to be
21 eligible for a modification. Buck relied on Defendants' and the Defendants representative and
22 authorized agent's advice and stopped making his monthly payments causing him to fall even
23 further behind. However, Buck was unable to modify his loan.

24 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were
25 reputable and complied with industry standard underwriting guidelines and were engaged in
26 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
27 made in good faith; (3) Buck could afford the loan; (4) He was "qualified" for his loan; (5)
28 "qualified" meant that he could afford his loan; (6) He would be able to modify his loan in the

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1 future; and (7) He would be able to refinance his loan in the future.

2 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
3 otherwise improperly disclosed to Buck that: (1) Loan Consultant and Defendants knew that he
4 could not and would not be able to afford his loan and that there was a very high probability that
5 he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and
6 did sell his loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants'
7 "qualification" process was for Defendants' own protection and not his; (4) That Loan
8 Consultant's and Defendants' representations that he was "qualified" to pay his loan was not
9 intended to communicate that he could actually "afford" the loan which he was being given; (5)
10 Defendants had abandoned its conventional lending business, prudent lending standards, and
11 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
12 Buck 's home to require him to borrow more money with the knowledge that the true value of
13 Buck 's home was insufficient to justify the amount of Buck's loan; or (7) Defendants knew that
14 due to its scheme of fraudulently manipulating and inflating property values throughout the State
15 of California that the real estate market would crash and Buck would lose substantial equity in
16 his home.

17 Based on these misrepresentations and omissions, the material facts concerning Buck's
18 loan were concealed from him, and he decided to move forward with his loan. On August 23,
19 2006, Buck signed the loan and Deed of Trust, before a notary. Had he known the truth however,
20 Buck would not have accepted the loan. As a result of the Defendants' fraudulent acts described
21 throughout this complaint Buck has lost substantial equity in his home, has damaged or
22 destroyed credit, and at the time Buck entered into the loan his home was worth substantially
23 more than its current fair market value. Buck did not discover any of these misrepresentations or
24 omissions until after a consultation with legal counsel at Brookstone Law, and through a
25 complete and thorough investigation of the loan documentation, and a discussion of the
26 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
27 were brought to light on or around May 19, 2011.

28 13. Plaintiff Cristina Palbicke ("Palbicke") discussed refinancing an existing

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1 mortgage on her property located at 27949 Harwood Drive, Santa Clarita, CA, 91350 and APN
2 3244-065-009 with a loan consultant (the "Loan Consultant"), a representative and authorized
3 agent of GMAC and Defendants herein (the "Defendants"), in or around February 2007. In the
4 course of their discussions ranging from February 2007 until April 2007, Defendants and Loan
5 Consultant advised her to enter into fixed rate loan in the amount of \$346,000.00, with an
6 interest rate of 5.125%, for a term of 15 years. This loan was originated by GMAC, on the note
7 and deed of trust GMAC is identified as the lender, and GMAC was the servicer of the loan.

8 Defendants and Loan Consultant explicitly represented to Palbicke that she could afford
9 her loan and further represented that she could shoulder the additional financial burden of
10 repaying her loan in consideration of her other existing debts. Defendants and Loan Consultant
11 also represented to her that she could afford a \$3,097.31 monthly payment. Defendants and Loan
12 Consultant further represented to Palbicke that she could rely on the assessment that she was
13 "qualified" to mean that she could afford the loan. Because of Palbicke's lack of familiarity with
14 how much debt a person can and should reasonably take on compared to her monthly income,
15 and because Palbicke reasonably relied on Defendants' and Loan Consultant's expertise that any
16 payment they were "qualified" for would take into account what the maximum debt a person
17 such as Palbicke should be shouldering was, Palbicke reasonably believed Defendants' and Loan
18 Consultant's representations that she could afford her loan and its payments.

19 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
20 on behalf of Defendants were accurate and made in good faith. On or around March 2007, an
21 appraisal company under the direct control and supervision of Defendants conducted an appraisal
22 on Palbicke's home, which was fraudulently inflated to an intentionally overstated value.
23 Defendants and Loan Consultant represented that, per appraisal, Palbicke's home was worth
24 \$485,000.00 at the time she entered into their loan, and that such a valuation was a true and
25 correct measure of their home's worth. The current fair market value of Palbicke's home is
26 approximately \$314,036.00. Palbicke allege that the appraisal was artificially inflated, and that
27 she has suffered damages in the amount of \$170,964.00 (\$485,000.00-\$314,036.00) due to a
28 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other

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1 acts described herein.

2 Defendants and Loan Consultant also represented to Palbickie that she would be able to
3 refinance her loan at a later time. Palbickie relied on this assurance in deciding to enter into the
4 mortgage contract. However, Palbickie has not been able to refinance her loan because she has
5 been told that her home does not contain enough equity. Defendants and Loan Consultant also
6 represented that it would modify Palbickie's loan, and Palbickie relied on this representation in
7 deciding to enter into the loan. However, Palbickie were unable to modify her loan.

8 The foreclosure against Palbickie was wrongful because the ADOT (recorded February
9 28, 2011) notes MERS as the party assigning the beneficial interest in the property in its
10 individual capacity to the foreclosing party (GMAC). However, under California law MERS is
11 only a nominee acting on behalf of the true beneficiary, and cannot initiate foreclosure in its own
12 name. MERS can only act when acting in its nominal capacity. Here, MERS assigned the interest
13 in the Deed of Trust to GMAC in its own name, rendering its ADOT void. Accordingly, GMAC
14 was never properly assigned the beneficiary interest as a foreclosing beneficiary of the Deed.
15 Therefore, any subsequent recorded documents based on that assignment in order to move
16 forward with the foreclosure sale would be ineffective as well. Therefore, since the assignment
17 of deed of trust from MERS to the foreclosing party (GMAC) was void, it will render any
18 subsequent transactions based on that assignment void ab initio.

19 In addition, the foreclosure against Palbickie was wrongful because at the time the
20 Trustee's deed was recorded (August 11, 2011), the foreclosing trustee (Executive Trustee
21 Services, LLC) did not have the legal authority to initiate the foreclosure because the foreclosing
22 trustee was never properly substituted as trustee. The original trustee under the Deed of Trust
23 (recorded April 4, 2007) was Executive Trustee Services, Incorporation.

24 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
25 reputable and complied with industry standard underwriting guidelines and were engaged in
26 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
27 made in good faith; (3) Palbickie could afford the loan; (4) they were "qualified" for their loan;
28 (5) "qualified" meant that they could afford their loan; (6) they would be able to modify her

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1 loan; and (7) they would be able to refinance her loan.

2 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
3 otherwise improperly disclosed to Palbickie that: (1) Defendants and Loan Consultant knew that
4 she could not and would not be able to afford her loan and that there was a very high probability
5 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
6 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
7 "qualification" process was for Defendants' own protection and not theirs; (4) that Defendants'
8 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
9 to communicate that she could actually "afford" the loan which they were being given; (5)
10 Defendants had abandoned its conventional lending business, prudent lending standards, and
11 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
12 Palbickie home to require them to borrow more money with the knowledge that the true value of
13 Palbickie's home was insufficient to justify the amount of Palbickie's loan; or (7) Defendants
14 knew that due to its scheme of fraudulently manipulating and inflating property values
15 throughout the State of California that the real estate market would crash and Palbickie would
16 lose substantial equity in their home.

17 Based on these misrepresentations, the material facts concerning Palbickie's loan was
18 concealed from her, and she decided to move forward with her loan. On April 4, 2007, Palbickie
19 signed the loan and Deed of Trust, before a notary. Had she known the truth however, Palbickie
20 would not have accepted the loan. As a result of Defendants' fraudulent acts described
21 throughout this complaint, Palbickie has lost substantial equity in her home, has damaged or
22 destroyed credit, and at the time Palbickie entered into the loan her home was worth \$485,000.00,
23 now her home is worth approximately \$314,036.00. Palbickie did not discover any of these
24 misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a
25 complete and thorough investigation of the loan documentation, and a discussion of the
26 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
27 were brought to light on or around April 7, 2011. (True and correct copy of the aforementioned
28 documents are attached hereto as ***Exhibit 10***).

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1 14. Plaintiffs Khalil Subat and Manija Subat ("collectively referred to as "Mr. and
2 Mrs. Subat") discussed refinancing an existing mortgage on their property located at 7330
3 Cerritos Avenue, Stanton, CA 90680 and A.P.N.:079-541-55 with a Loan Consultant ("Loan
4 Consultant"), a representative and authorized agent of Greenpoint Mortgage Funding, a
5 correspondent of GMAC and Defendants herein (the "Defendants") and authorized by
6 Defendants to lend on its behalf, in or around April 2006. In the course of their discussions
7 ranging from April 2006 until June 2006, Defendants and Loan Consultant steered them into an
8 adjustable rate mortgage in the amount of \$650,000.00 with an interest rate at 3.000% for a term
9 of 30 years. Little did Mr. and Mrs. Subat know, however, their loan was a negatively amortized
10 PayOption ARM. Mr. and Mrs. Subat was not advised that the interest rate was never "fixed" but
11 applied to only their first monthly payment and could adjust every month thereafter. The
12 maximum interest rate is 12%. The amount of Mr. and Mrs. Subat's minimum monthly payment
13 was "fixed" for 12 months and could adjust every 12 months thereafter. When the amount of the
14 minimum monthly payment is insufficient to cover the amount of interest due, then the amount
15 of that deficiency is added onto the unpaid principal balance of their loan. The recast point of this
16 loan is 110% of the original loan amount. In addition, Loan Consultant steered them into an
17 ARM "piggy-back" loan in the amount of \$100,000.00 for a term of 15 years. These loans were
18 originated by GMAC, on the note and deed of trust Greenpoint Mortgage Funding is identified as
19 the lender, and GMAC is currently servicing the loan.

20 Defendants and Loan Consultant represented to Mr. and Mrs. Subat that their monthly
21 payment would always be \$2,740.43. Although the amount of Mr. and Mrs. Subat's initial
22 minimum monthly payment was \$2,740.43. Defendants and Loan Consultant failed to clarify
23 their partially true representations and advise Mr. and Mrs. Subat: (1) how the interest rate on
24 their loan was calculated; (2) that the initial minimum monthly payment of \$2,740.43 would not
25 always be available; (3) that the initial minimum monthly payment would not be the permanent
26 payment under the loan despite Defendants' and Loan Consultant's affirmative representations
27 to the contrary; (4) that by paying the initial minimum monthly payment they would be
28 definitively deferring interest on their loan, increasing the principal balance of their loan every

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1 time they made the minimum monthly payment; (5) that by paying the minimum monthly
2 payment the principal balance of their loan was certain to increase; or (6) their loan would be
3 recast within a few years and they would be forced to pay considerably higher payments.

4 The disclosures in Mr. and Mrs. Subat's loan documents discussing negative amortization
5 only frame negative amortization as a mere **possibility** rather than a **certainty** when making the
6 minimum payment. However, the reality was that by making the minimum payment, negative
7 amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending
8 Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment
9 schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will*
10 result in negative amortization. Mr. and Mrs. Subat were not provided, before entering into the
11 loans, with any other payment schedule or with any informed option to make payments different
12 than those listed in the TILDS payment schedule. Had Defendants disclosed that by making the
13 payment pursuant to the TILDS Mr. and Mrs. Subat would be deferring interest, or had
14 Defendants disclosed the payment amounts sufficient to avoid negative amortization from
15 occurring, Mr. and Mrs. Subat would not have entered into the loan. **Defendants intentionally**
16 **omitted a clear disclosure of the nature of Mr. and Mrs. Subat's loan because giving a clear**
17 **explanation of how the loan worked would have punctured the illusion of a low-payment,**
18 **low interest rate loan.**

19 Further, Defendants and Loan Consultant advised them that they were eligible for a Low
20 Doc Loan. Unbeknownst to them at the time, Defendants and Loan Consultant used this low
21 documentation requirement to fraudulently inflate their income by \$6,620.00, a factor of 69%;
22 and in doing so, Defendants and Loan Consultant caused them to be placed into a loan whose
23 payments they could not afford given their true, *un-inflated* monthly income. Defendants and
24 Loan Consultant altered Mr. and Mrs. Subat's loan application without their knowing consent or
25 authorization as Loan Consultant completed Mr. and Mrs. Subat's application without giving Mr.
26 and Mrs. Subat an opportunity to review the loan application.

27 Defendants and Loan Consultant also explicitly represented to Mr. and Mrs. Subat that
28 they could afford their loan and further represented that they could shoulder the additional

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1 financial burden of repaying their loan in consideration of their other existing debts; yet failed to
2 disclose that the fully amortized monthly payment on the loan was \$5,627.94 for both the first
3 loan and the piggy-back loan. Given Mr. and Mrs. Subat's true monthly income of \$9,630.00 this
4 represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before any other
5 debts are even considered, of over 58% - in excess of industry standard underwriting guidelines,
6 and in excess of Defendants' own underwriting guidelines. Defendants and Loan Consultant
7 further represented to Mr. and Mrs. Subat that they could rely on the assessment that they were
8 "qualified" to mean that they could afford the loan. Because of Mr. and Mrs. Subat's lack of
9 familiarity with how much debt a person can and should reasonably take on compared to their
10 monthly income, and because Mr. and Mrs. Subat reasonably relied on Defendants' and Loan
11 Consultant's expertise that any payment they were "qualified" for would take into account what
12 the maximum debt a person such as Mr. and Mrs. Subat should be shouldering was, Mr. and Mrs.
13 Subat reasonably believed Defendants' and Loan Consultant's representations that they could
14 afford their loan and its payments.

15 Although Defendants and the Loan Consultant represented to Mr. and Mrs. Subat that
16 they were "qualified" for their loan and could afford their loan and its monthly payments,
17 Defendants and the Loan Consultant misled Mr. and Mrs. Subat into believing that their monthly
18 payments would always only be \$2,740.43. Furthermore, at no point did Defendants or Loan
19 Consultant clarify Mr. and Mrs. Subat's false belief and advise them that \$2,740.43 would not be
20 their permanent payment under the loan, or that every time they made a monthly payment in the
21 amount of \$2,740.43, which is less than interest only, they would be deferring interest on their
22 loan, increasing the principal balance of their loan.

23 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
24 on behalf of Defendants were accurate and made in good faith. On June 7, 2006, an appraisal
25 company under the direct control and supervision of Defendants conducted an appraisal on Mr.
26 and Mrs. Subat's home, which was fraudulently inflated to \$1,000,000.00 - an intentionally
27 overstated value. The current fair market value of Mr. and Mrs. Subat's home is approximately
28 \$620,000.00. Mr. and Mrs. Subat allege that the appraisal was artificially inflated, and that they

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1 have suffered damages in the amount of \$380,000.00 (\$1,000,000.00-\$620,000.00) due to a
2 substantial loss of equity in their home as a result of Defendants' fraudulent inflation and other
3 acts described herein.

4 Due to the economic crash caused by Defendants' fraudulent acts described throughout
5 the complaint, Mr. and Mrs. Subat suffered from financial hardship that they were struggling to
6 make the mortgage payments. At the time of entering into the loan, Defendants and Loan
7 Consultant represented to Mr. and Mrs. Subat that they would be able to refinance their loan at a
8 later time. Mr. and Mrs. Subat relied on this assurance in deciding to enter into the mortgage
9 contract. However, Mr. and Mrs. Subat have not been able to refinance their loan. Mr. and Mrs.
10 Subat also sought to modify their loan with Defendants to lower the mortgage payments.
11 Although Mr. and Mrs. Subat's loan was modified, the modification is active only for a limited
12 time. When the modification expires, Mr. and Mrs. Subat's monthly payment will climb to the
13 point that the loan is unaffordable to Mr. and Mrs. Subat.

14 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
15 reputable and complied with industry standard underwriting guidelines and were engaged in
16 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
17 made in good faith; (3) Mr. and Mrs. Subat could afford the loan; (4) they were "qualified" for
18 their loan; (5) "qualified" meant that they could afford their loan; and (6) they would be able to
19 refinance their loan in the future.

20 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
21 otherwise improperly disclosed to Mr. and Mrs. Subat that: (1) Defendants and Loan Consultant
22 knew that they could not and would not be able to afford their loan and that there was a very high
23 probability that they would default and/or be foreclosed upon; (2) Defendants had an incentive to
24 sell their loan, and did sell their loan at fraudulently inflated prices; (3) Defendants' and Loan
25 Consultant's "qualification" process was for Defendants' own protection and not theirs; (4) that
26 Defendants' and Loan Consultant's representations that they were "qualified" to pay their loan
27 was not intended to communicate that they could actually "afford" the loan which they were
28 being given; (5) Defendants had abandoned its conventional lending business, prudent lending

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1 standards, and industry standard underwriting guidelines; (6) Defendants influenced the
2 appraiser to over-value Mr. and Mrs. Subat's home to require them to borrow more money with
3 the knowledge that the true value of Mr. and Mrs. Subat's home was insufficient to justify the
4 amount of Mr. and Mrs. Subat's loan; or (7) Defendants knew that due to its scheme of
5 fraudulently manipulating and inflating property values throughout the State of California that
6 the real estate market would crash and Mr. and Mrs. Subat would lose substantial equity in their
7 home.

8 Based on these misrepresentations and omissions, the material facts concerning Mr. and
9 Mrs. Subat's loan were concealed from them, and they decided to move forward with their loan.
10 On June 26, 2006, Mr. and Mrs. Subat signed the loan and Deed of Trust, before a notary. Had
11 they known the truth however, Mr. and Mrs. Subat would not have accepted the loan. As a result
12 of Defendants' fraudulent acts described throughout this complaint Mr. and Mrs. Subat have lost
13 substantial equity in their home, have damaged or destroyed credit, and at the time Mr. and Mrs.
14 Subat entered into the loan their home was worth \$1,000,000.00, now their home is worth
15 approximately \$620,000.00. Mr. and Mrs. Subat did not discover any of these misrepresentations
16 or omissions until after a consultation with legal counsel at Brookstone Law, and through a
17 complete and thorough investigation of the loan documentation, and a discussion of the
18 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
19 were brought to light on or around August 1, 2011. (True and correct copy of the
20 aforementioned documents are attached hereto as ***Exhibit 11***).

21 15. Plaintiff Genevie Cabang ("Cabang") discussed refinancing an existing mortgage
22 on her property located at 37915 52nd Street East, Palmdale, CA 92252 and A.P.N.: with a loan
23 consultant (the "Loan Consultant"), a representative and authorized agent of Homecomings
24 Financial Services, LLC, a correspondent of GMAC Mortgage (herein "Defendants"), and
25 authorized by Defendants to lend on its behalf, in or around August 2007. In the course of their
26 discussions ranging from August 2007 until October 2007, Defendants and Loan Consultant
27 advised her to enter into a fixed rate loan in the amount of \$416,500.00, with an interest rate of
28 7.875%, for a term of 30 years. This loan was originated by GMAC, on the note and deed of trust

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1 Homecomings Financial Services, LLC is identified as the lender, and this loan is currently being
2 serviced by GMAC.

3 Further, Defendants and Loan Consultant advised her she was eligible for a Low Doc
4 Loan. Unbeknownst to her at the time, Defendants and Loan Consultant used this low
5 documentation requirement to fraudulently inflate her income by \$2,024.00, a factor of 35% ;
6 and in doing so, Defendants and Loan Consultant caused her to be placed into a loan whose
7 payments she could not afford given her true, *un-inflated* monthly income. Defendants and Loan
8 Consultant altered Cabang's loan application without her knowing consent or authorization as
9 Loan Consultant completed Cabang's application without giving Cabang an opportunity to
10 review the loan application.

11 Defendants and Loan Consultant explicitly represented to Cabang that she could afford
12 her loan; and further represented that she could shoulder the additional financial burden of
13 repaying her loan in consideration of her other existing debts. Defendants and Loan Consultant
14 also represented to her that she could afford a \$3,443.35 monthly payment, despite her \$5,876.00
15 true monthly income (a "front-end" debt-to-income ratio, meaning a debt-to-income ratio, before
16 any other debts are even considered, of over 59%- in excess of industry standard underwriting
17 guidelines, and in excess of Defendants' own underwriting guidelines). Defendants and Loan
18 Consultant further represented to Cabang that she could rely on the assessment that she was
19 "qualified" to mean that he could afford the loan. Because of Cabang's lack of familiarity with
20 how much debt a person can and should reasonably take on compared to her monthly income,
21 and because Cabang reasonably relied on Defendants' and Loan Consultant's expertise that any
22 payment she was "qualified" for would take into account what the maximum debt a person such
23 as Cabang should be shouldering was, Cabang reasonably believed Defendants' and Loan
24 Consultant's representations that she could afford her loan and its payments.

25 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
26 on behalf of Defendants were accurate and made in good faith. On or around September 2007, an
27 appraisal company under the direct control and supervision of Defendants conducted an appraisal
28 on Cabang's home, which was fraudulently inflated to a grossly and intentionally overstated

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1 value. Defendants and Loan Consultant represented that, per appraisal, Cabang's home was
2 worth \$416,000.00 at the time she entered into their loan, and that such a valuation was a true
3 and correct measure of her home's worth. The current fair market value of Cabang's home is
4 approximately \$147,000.00. Cabang alleges that the appraisal was artificially inflated and that
5 she has suffered damages in the amount of \$269,900.00 (\$416,000.00-\$147,000.00) due to a
6 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other
7 acts described herein.

8 Defendants and Loan Consultant also represented to Cabang that she would be able to
9 refinance her loan at a later time. Cabang relied on this assurance in deciding to enter into the
10 mortgage contract. However, Cabang has not been able to refinance her loan because she has
11 been told that her home does not contain enough equity. Defendants and Loan Consultant also
12 represented that it would modify Cabang's loan, and Cabang relied on this representation in
13 deciding to enter into the loan. However, Cabang was unable to modify her loan.

14 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
15 reputable and complied with industry standard underwriting guidelines and were engaged in
16 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
17 made in good faith; (3) Cabang could afford the loan ; (4) she was "qualified" for her loan; (5)
18 "qualified" meant that she could afford her loan; (6) Defendants would modify her loan in the
19 future; and (7) she would be able to refinance her loan in the future.

20 At no point was it revealed to Cabang that her mortgage payment included a Private
21 Mortgage Insurance ("PMI"). After being told her new payment of \$3,019.91 would be her
22 payment after combining both of her previous loans through refinancing, Defendants and Loan
23 Consultant failed to represent that in order to combine both loans, a PMI rate of \$423.33 was
24 added each month to her payment without her knowing. Cabang alleges that this increase caused
25 her new, refinanced mortgage payment to be unaffordable.

26 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
27 otherwise improperly disclosed to Cabang that: (1) Defendants and Loan Consultant knew that
28 they could not and would not be able to afford her loan and that there was a very high probability

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1 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
2 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
3 "qualification" process was for Defendants' own protection and not hers; (4) that Defendants'
4 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
5 to communicate that she could actually "afford" the loan which she was being given; (5)
6 Defendants had abandoned its conventional lending business, prudent lending standards, and
7 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
8 Cabang's home to require her to borrow more money with the knowledge that the true value of
9 Cabang's home was insufficient to justify the amount of Cabang's loan; or (7) Defendants knew
10 that due to its scheme of fraudulently manipulating and inflating property values throughout the
11 State of California that the real estate market would crash and Cabang would lose substantial
12 equity in her home.

13 Based on these misrepresentations, the material facts concerning Cabang's loan were
14 concealed from her, and she decided to move forward with her loan. On October 11, 2007,
15 Cabang signed the loan and Deed of Trust, before a notary. Had she known the truth however,
16 Cabang would not have accepted the loan. As a result of Defendants' fraudulent acts described
17 throughout this complaint Cabang has lost substantial equity in her home, has damaged or
18 destroyed credit, and at the time Cabang entered into the loan her home was worth \$416,000.00,
19 now her home is worth approximately \$147,000.00. Cabang did not discover any of these
20 misrepresentations until after a consultation with legal counsel at Brookstone Law, and through a
21 complete and thorough investigation of the loan documentation, and a discussion of the
22 surrounding facts, the fraudulent acts of the Defendants, as described throughout this complaint,
23 were brought to light on or around September 6, 2011. (True and correct copy of the
24 aforementioned documents are attached hereto as *Exhibit 12*).

25 16. Plaintiff Julio Gonzalez ("Gonzalez") discussed obtaining a mortgage on his
26 home located at 13552 Abana Street, Cerritos, CA 90703 and A.P.N.: 7006-027-004 with a loan
27 consultant (the "Loan Consultant"), and representative and authorized agent of GMAC herein
28 (the "Defendants") in or around April 2005. In the course of their discussions ranging from April

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1 2005 until June 2005, Defendants and Loan Consultant steered him into a loan, of which the
2 Defendants and Loan Consultant concealed and inaccurately, incompletely or otherwise
3 improperly disclosed the material terms and information concerning the loan to him. This loan
4 was originated by E-loan, Inc., on the note and deed of trust GMAC is identified as the lender,
5 and GMAC is currently servicing the loan.

6 Defendants and Loan Consultant explicitly represented to Gonzalez that he could afford
7 his loan; and further represented that he could shoulder the additional financial burden of
8 repaying his loan in consideration of his other existing debts. Loan Consultant and Defendants
9 further represented to Gonzalez that he could rely on the assessment that he was "qualified" to
10 mean that he could afford the loan. Because of Gonzalez's lack of familiarity with how much
11 debt a person can and should reasonably take on compared to his/her monthly income, and
12 because Gonzalez reasonably relied on Defendants' and Loan Consultant's expertise that any
13 payment he was "qualified" for would take into account what the maximum debt a person such
14 as Gonzalez should be shouldering was, Gonzalez reasonably believed Defendants' and Loan
15 Consultant's representations that he could afford his loan and its payments.

16 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
17 on behalf of Defendants were accurate and made in good faith. An appraisal company under the
18 direct control and supervision of Defendants conducted an appraisal on Gonzalez's home, which
19 was fraudulently inflated to an intentionally overstated value. Gonzalez alleges that the appraisal
20 was artificially inflated, and that he has suffered damages due to a substantial loss of equity in
21 his home as a result of Defendants' fraudulent inflation and other acts described herein.

22 Loan Consultant and Defendants also represented to Gonzalez that he would be able to
23 refinance his loan at a later time. Gonzalez relied on this assurance in deciding to enter into the
24 mortgage contract. However, Gonzalez has not been able to refinance his loan. Loan Consultant
25 and Defendants also represented that it would modify Gonzalez's loan, and Gonzalez relied on
26 this representation in deciding to enter into the loan. In addition, Gonzalez was advised by a
27 representative and authorized agent of Defendants to stop making payments in order to be
28 eligible for a modification. Gonzalez relied on Defendants' and the Defendants representative

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1 and authorized agent's advice and stopped making his monthly payments causing him to fall
2 even further behind. However, Gonzalez was unable to modify his loan.

3 Furthermore, Loan Consultant and Defendants represented that: (1) Defendants were
4 reputable and complied with industry standard underwriting guidelines and were engaged in
5 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
6 made in good faith; (3) Gonzalez could afford the loan; (4) He was "qualified" for his loan; (5)
7 "qualified" meant that he could afford his loan; (6) He would be able to modify his loan in the
8 future; and (7) He would be able to refinance his loan in the future.

9 Moreover, Loan Consultant and Defendants withheld or incompletely, inaccurately or
10 otherwise improperly disclosed to Gonzalez that: (1) Loan Consultant and Defendants knew that
11 he could not and would not be able to afford his loan and that there was a very high probability
12 that he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan,
13 and did sell his loan at fraudulently inflated prices; (3) Loan Consultant's and Defendants'
14 "qualification" process was for Defendants' own protection and not his; (4) That Loan
15 Consultant's and Defendants' representations that he was "qualified" to pay his loan was not
16 intended to communicate that he could actually "afford" the loan which he was being given; (5)
17 Defendants had abandoned its conventional lending business, prudent lending standards, and
18 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
19 Gonzalez 's home to require him to borrow more money with the knowledge that the true value
20 of Gonzalez 's home was insufficient to justify the amount of Gonzalez 's loan; or (7)
21 Defendants knew that due to its scheme of fraudulently manipulating and inflating property
22 values throughout the State of California that the real estate market would crash and Gonzalez
23 would lose substantial equity in his home.

24 Based on these misrepresentations and omissions, the material facts concerning
25 Gonzalez's loan were concealed from him, and he decided to move forward with his loan. On
26 June 22, 2005, Gonzalez signed the loan and Deed of Trust, before a notary. Had he known the
27 truth however, Gonzalez would not have accepted the loan. As a result of the Defendants'
28 fraudulent acts described throughout this complaint Gonzalez has lost substantial equity in his

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1 home, has damaged or destroyed credit, and at the time Gonzalez entered into the loan his home
2 was worth substantially more than its current fair market value. Gonzalez did not discover any
3 of these misrepresentations or omissions until after a consultation with legal counsel at
4 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
5 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
6 throughout this complaint, were brought to light on or around October 10, 2011.

7 17. Plaintiff Lisa Simonyi ("Simonyi") discussed refinancing an existing mortgage on
8 her property located at 14442 Rancho Del Prado Trail, San Diego, CA 92127 and APN 303-230-
9 25-00 with a loan consultant (the "Loan Consultant") with Plaza Home Mortgage, Inc., a
10 correspondent of GMAC and the Defendants (the "Defendants"), and authorized by Defendants
11 to lend on its behalf, in or around November 2006. In the course of their discussions ranging
12 from November 2006 until January 2007, Defendants and Loan Consultant steered her into a
13 negatively amortized PayOption ARM in the amount of \$1,500,000.00 with an interest rate at
14 3.750% for a term of 30 years. Little did Simonyi know, however, the disclosed interest rate was
15 never "fixed" but applied to only the first five years of her loan and could adjust every six
16 months thereafter. The maximum interest rate is 11.750%. The amount of Simonyi's minimum
17 monthly payment was "fixed" for 12 months and could adjust every 12 months thereafter. When
18 the amount of the minimum monthly payment is insufficient to cover the amount of interest due,
19 then the amount of that deficiency is added onto the unpaid principal balance of her loan. The
20 recast point of this loan is 115% of the original loan amount. This loan was originated by GMAC
21 and Defendants, on the note and deed of trust Plaza Home Mortgage is identified as the lender,
22 and GMAC is currently servicing this loan.

23 Defendants and Loan Consultant represented to Simonyi that her monthly payment would
24 always be \$4,687.50. Although the amount of Simonyi's initial, disclosed minimum monthly
25 payment was \$4,687.50, Defendants and Loan Consultant failed to clarify their partially true
26 representations and advise Simonyi: (1) how the interest rate on her loan was calculated; (2) that
27 the initial, disclosed minimum monthly payment of \$4,687.50 would not always be available; (3)
28 that the initial, disclosed minimum monthly payment would not be the permanent payment under

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1 the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary;
2 (4) that by paying the initial, disclosed minimum monthly payment she would be definitively
3 deferring interest on her loan, increasing the principal balance of her loan every time she made
4 the minimum monthly payment; (5) that by paying the minimum monthly payment the principal
5 balance of her loan was certain to increase; or (6) her loan would be recast within a few years
6 and she would be forced to pay considerably higher payments.

7 The disclosures in Simonyi's loan documents discussing negative amortization only
8 frame negative amortization as a mere **possibility** rather than a **certainty** when making the
9 minimum payment. However, the reality was that by making the minimum payment, negative
10 amortization was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending
11 Disclosure Statement ("TILDS"), which set forth what appeared to be the *required* payment
12 schedule, fails to disclose that making payments pursuant to the TILDS payment schedule *will*
13 result in negative amortization. Simonyi was not provided, before entering into the loans, with
14 any other payment schedule or with any informed option to make payments different than those
15 listed in the TILDS payment schedule. Had Defendants disclosed that by making the payment
16 pursuant to the TILDS Simonyi would be deferring interest, or had Defendants disclosed the
17 payment amounts sufficient to avoid negative amortization from occurring, Simonyi would not
18 have entered into the loan. **Defendants intentionally omitted a clear disclosure of the nature**
19 **of Simonyi's loan because giving a clear explanation of how the loan worked would have**
20 **punctured the illusion of a low-payment, low interest rate loan.**

21 Defendants and Loan Consultant also explicitly represented to Simonyi that she could
22 afford her loan and further represented that she could shoulder the additional financial burden of
23 repaying her loan in consideration of her other existing debts; yet failed to disclose that the fully
24 amortized monthly payment on the loan was \$12,500.00. Given Simonyi's true monthly income
25 of \$16,000.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income
26 ratio, before any other debts are even considered, of over 78%- in excess of industry standard
27 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
28 and Loan Consultant further represented to Simonyi that she could rely on the assessment that

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1 she was "qualified" to mean that she could afford the loan. Because of Simonyi's lack of
2 familiarity with how much debt a person can and should reasonably take on compared to her
3 monthly income, and because Simonyi reasonably relied on Defendants' and Loan Consultant's
4 expertise that any payment she was "qualified" for would take into account what the maximum
5 debt a person such as Simonyi should be shouldering was, Simonyi reasonably believed
6 Defendants' and Loan Consultant's representations that she could afford her loan and its
7 payments.

8 Although Defendants and the Loan Consultant represented to Simonyi that she was
9 "qualified" for her loan and could afford her loan and its monthly payments, Defendants and the
10 Loan Consultant misled Simonyi into believing that her monthly payments would always only be
11 \$4,687.50. Furthermore, at no point did Defendants or Loan Consultant clarify Simonyi's false
12 belief and advise her that \$4,687.50 would not be her permanent payment under the loan, or that
13 every time she made a monthly payment in the amount of \$4,687.50, which is less than interest
14 only, she would be deferring interest on her loan, increasing the principal balance of her loan.

15 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
16 on behalf of Defendants were accurate and made in good faith. On or around December 2006, an
17 appraisal company under the direct control and supervision of Defendants conducted an appraisal
18 on Simonyi's home, which was fraudulently inflated to an intentionally overstated value.
19 Defendants and Loan Consultant represented that, per appraisal, Simonyi's home was worth
20 \$2,000,000.00 at the time she entered into her loan, and that such a valuation was a true and
21 correct measure of her home's worth. The current fair market value of Simonyi's home is
22 approximately \$1,242,642.00. Simonyi alleges that the appraisal was artificially inflated and that
23 she has suffered damages in the amount of \$757,358.00 (\$2,000,000.00-\$1,242,642.00) due to a
24 substantial loss of equity in her home as a result of Defendants' fraudulent inflation and other
25 acts described herein.

26 Defendants and Loan Consultant also represented to Simonyi that she would be able to
27 refinance her loan at a later time. Simonyi relied on this assurance in deciding to enter into the
28 mortgage contract Defendants and Loan Consultant also represented that it would modify

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1 Simonyi's loan, and Simonyi relied on this representation in deciding to enter into the loan.

2 However, Simonyi was unable to modify her loan.

3 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
4 reputable and complied with industry standard underwriting guidelines and were engaged in
5 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
6 made in good faith; (3) Simonyi could afford the loan; (4) she was "qualified" for her loan; (5)
7 "qualified" meant that she could afford her loan; (6) she would be able to modify her loan and
8 (7) she would be able to refinance her loan.

9 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
10 otherwise improperly disclosed to Simonyi that: (1) Defendants and Loan Consultant knew that
11 she could not and would not be able to afford her loan and that there was a very high probability
12 that she would default and/or be foreclosed upon; (2) Defendants had an incentive to sell her
13 loan, and did sell her loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
14 "qualification" process was for Defendants' own protection and not hers; (4) that Defendants'
15 and Loan Consultant's representations that she was "qualified" to pay her loan was not intended
16 to communicate that she could actually "afford" the loan which she was being given; (5)
17 Defendants had abandoned its conventional lending business, prudent lending standards, and
18 industry standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value
19 Simonyi's home to require her to borrow more money with the knowledge that the true value of
20 Simonyi's home was insufficient to justify the amount of Simonyi's loan; or (7) Defendants
21 knew that due to its scheme of fraudulently manipulating and inflating property values
22 throughout the State of California that the real estate market would crash and Simonyi would
23 lose substantial equity in her home.

24 Based on these misrepresentations and omissions, the material facts concerning
25 Simonyi's loan were concealed from her, and she decided to move forward with her loan. On
26 January 5, 2007, Simonyi signed the loan and Deed of Trust, before a notary. Had she known the
27 truth however, Simonyi would not have accepted the loan. As a result of Defendants' fraudulent
28 acts described throughout this complaint, Simonyi has lost substantial equity in her home, has

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1 damaged or destroyed credit, and at the time Simonyi entered into the loan her home was worth
2 \$2,000,000.00, now her home is worth approximately \$1,242,624.00. Simonyi did not discover
3 any of these misrepresentations or omissions until after a consultation with legal counsel at
4 Brookstone Law, and through a complete and thorough investigation of the loan documentation,
5 and a discussion of the surrounding facts, the fraudulent acts of the Defendants, as described
6 throughout this complaint, were brought to light on or around November 11, 2011.

7 18. Plaintiff Rick Ewald ("Ewald") discussed refinancing an existing mortgage on his
8 property located at 108 Grove Street, Nevada City, CA 95959 and A.P.N.: 05-395-02-000 with a
9 loan consultant (the "Loan Consultant"), a representative and authorized agent of Green Point
10 Mortgage, a correspondent of GMAC and Defendants herein (the "Defendants"), and authorized
11 by Defendants to lend on its behalf, in or around February 2006. In the course of their
12 discussions ranging from January 2006 until March 2006, Defendants and Loan Consultant
13 steered him into a negatively amortized PayOption ARM in the amount of \$626,400.00 with an
14 interest rate at 7.875% for a term of 30 years. Little did Ewald know, however, the disclosed
15 interest rate was never "fixed" but applied to only his first monthly payment and could adjust
16 every month thereafter. The maximum interest rate is 12.000%. The amount of Ewald's
17 minimum monthly payment was "fixed" for 60 months and could adjust every 12 months
18 thereafter. When the amount of the minimum monthly payment is insufficient to cover the
19 amount of interest due, then the amount of that deficiency is added onto the unpaid principal
20 balance of his loan. The recast point of this loan is 115% of the original loan amount. This loan
21 was originated by GMAC, on the note and deed of trust Green Point Mortgage is identified as the
22 lender, and the loan is being serviced by GMAC.

23 The disclosures in Ewald's loan documents discussing negative amortization only frame
24 negative amortization as a mere **possibility** rather than a **certainty** when making the minimum
25 payment. However, the reality was that by making the minimum payment, negative amortization
26 was a *certainty*. Indeed, the payment schedule set forth in the Truth in Lending Disclosure
27 Statement ("TILDS"), which set forth what appeared to be the *required* payment schedule, fails
28 to disclose that making payments pursuant to the TILDS payment schedule *will* result in negative

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1 amortization. Ewald was not provided, before entering into the loans, with any other payment
2 schedule or with any informed option to make payments different than those listed in the TILDS
3 payment schedule. Had Defendants disclosed that by making the payment pursuant to the TILDS
4 Ewald would be deferring interest, or had Defendants disclosed the payment amounts sufficient
5 to avoid negative amortization from occurring, Ewald would not have entered into the loan.

6 **Defendants intentionally omitted a clear disclosure of the nature of Ewald's loan because
7 giving a clear explanation of how the loan worked would have punctured the illusion of a
8 low-payment, low interest rate loan.**

9 Further, Defendants and Loan Consultant advised him that he was eligible for a Low Doc
10 Loan. Unbeknownst to him at the time, Defendants and Loan Consultant used this low
11 documentation requirement to fraudulently inflate his income by \$9,854.00, a factor of 54%; and
12 in doing so, Defendants and Loan Consultant caused him to be placed into a loan whose
13 payments he could not afford given his true, *un-inflated* monthly income. Defendants and Loan
14 Consultant altered Ewald's loan application without his knowing consent or authorization as
15 Loan Consultant completed Ewald's application without giving Ewald an opportunity to review
16 the loan application.

17 Defendants and Loan Consultant represented to Ewald that his monthly payment would
18 always be \$2,014.75. Although the amount of Ewald's initial, disclosed minimum monthly
19 payment was \$2,014.75, Defendants and Loan Consultant failed to clarify their partially true
20 representations and advise Ewald: (1) how the interest rate on his loan was calculated; (2) that
21 the initial, disclosed minimum monthly payment of \$2,014.75 would not always be available; (3)
22 that the initial, disclosed minimum monthly payment would not be the permanent payment under
23 the loan despite Defendants' and Loan Consultant's affirmative representations to the contrary;
24 (4) that by paying the initial, disclosed minimum monthly payment he would be definitively
25 deferring interest on his loan, increasing the principal balance of his loan every time he made the
26 minimum monthly payment; (5) that by paying the minimum monthly payment the principal
27 balance of his loan was certain to increase; or (6) his loan would be recast within a few years and
28 he would be forced to pay considerably higher payments.

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1 Defendants and Loan Consultant also explicitly represented to Ewald that he could afford
2 his loan and further represented that he could shoulder the additional financial burden of
3 repaying his loan in consideration of his other existing debts; yet failed to disclose that the fully
4 amortized monthly payment on the loan was \$4,541.83. Given Ewald's true monthly income of
5 \$5,416.00, this represents a "front-end" debt-to-income ratio, meaning a debt-to-income ratio,
6 before any other debts are even considered, of over 84%- in excess of industry standard
7 underwriting guidelines, and in excess of Defendants' own underwriting guidelines. Defendants
8 and Loan Consultant further represented to Ewald that he could rely on the assessment that he
9 was "qualified" to mean that he could afford the loan. Because of Ewald's lack of familiarity
10 with how much debt a person can and should reasonably take on compared to his monthly
11 income, and because Ewald reasonably relied on Defendants' and Loan Consultant's expertise
12 that any payment he was "qualified" for would take into account what the maximum debt a
13 person such as Ewald should be shouldering was, Ewald reasonably believed Defendants' and
14 Loan Consultant's representations that he could afford his loan and its payments. Although
15 Defendants and the Loan Consultant represented to Ewald that he was "qualified" for his loan
16 and could afford his loan and its monthly payments, Defendants and the Loan Consultant misled
17 Ewald into believing that his monthly payments would always only be \$2,014.75. Furthermore,
18 at no point did Defendants or Loan Consultant clarify Ewald's false belief and advise him that
19 \$2,014.75 would not be his permanent payment under the loan, or that every time he made a
20 monthly payment in the amount of \$2,014.75, which is less than interest only, he would be
21 deferring interest on his loan, increasing the principal balance of his loan.

22 In addition, Defendants and Loan Consultant represented that appraisals conducted by or
23 on behalf of Defendants were accurate and made in good faith. On or around February 2006, an
24 appraisal company under the direct control and supervision of Defendants conducted an appraisal
25 on Ewald's home, which was fraudulently inflated to a grossly and intentionally overstated
26 value. Defendants and Loan Consultant represented that, per appraisal, Ewald's home was worth
27 \$755,000.00 at the time he entered into his loan, and that such a valuation was a true and correct
28 measure of his home's worth. The current fair market value of Ewald's home is approximately

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1 \$303,798.00. Ewald alleges that the appraisal was artificially inflated, and that he has suffered
2 damages in the amount of \$451,202.00 (\$755,000.00-\$303,798.00) due to a substantial loss of
3 equity in his home as a result of Defendants' fraudulent inflation and other acts described herein.

4 Furthermore, Defendants and Loan Consultant represented that: (1) Defendants were
5 reputable and complied with industry standard underwriting guidelines and were engaged in
6 lending of the highest caliber; (2) property appraisals done by Defendants were accurate and
7 made in good faith; (3) Ewald could afford the loan ; (4) he was "qualified" for his loan; (5)
8 "qualified" meant that he could afford his loan; (6) Defendants would modify his loan in the
9 future; and (7) Defendants would refinance his loan in the future.

10 Moreover, Defendants and Loan Consultant withheld or incompletely, inaccurately or
11 otherwise improperly disclosed to Ewald that: (1) Defendants and Loan Consultant knew that he
12 could not and would not be able to afford his loan and that there was a very high probability that
13 he would default and/or be foreclosed upon; (2) Defendants had an incentive to sell his loan, and
14 did sell his loan at fraudulently inflated prices; (3) Defendants' and Loan Consultant's
15 "qualification" process was for Defendants' own protection and not his; (4) that Defendants' and
16 Loan Consultant's representations that he was "qualified" to pay his loan was not intended to
17 communicate that he could actually "afford" the loan which he was being given; (5) Defendants
18 had abandoned its conventional lending business, prudent lending standards, and industry
19 standard underwriting guidelines; (6) Defendants influenced the appraiser to over-value Ewald's
20 home to require him to borrow more money with the knowledge that the true value of Ewald's
21 home was insufficient to justify the amount of Ewald's loan; or (7) Defendants knew that due to
22 its scheme of fraudulently manipulating and inflating property values throughout the State of
23 California that the real estate market would crash and Ewald would lose substantial equity in his
24 home.

25 Based on these misrepresentations and omissions, the material facts concerning Ewald's
26 loan were concealed from him, and he decided to move forward with his loan. On March 31,
27 2006, Ewald signed the loan and Deed of Trust, before a notary. Had he known the truth
28 however, Ewald would not have accepted the loan. As a result of Defendants' fraudulent acts